

The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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that Their Majesties go forward in their high office with the full assurance of the cordial support of their subjects of every class in every part of the Empire.

Members of the Society are reminded that the Belfast Conference of Incorporated Accountants will take place on June 23rd to 26th, when it is hoped that a large company will assemble. It is desired that anyone proposing to be present who has not already applied for tickets should do so without delay.

Readers of the Journal are requested to note that, in order to enable us to publish next month a full report of the Belfast Conference proceedings, it will be necessary to delay the issue of our July number for a few days.

Professional Notes.

THE outstanding event of the past month was the Coronation of King George the Sixth and Queen Elizabeth. The spontaneous character of the rejoicing was everywhere evident, people of every rank joining to extend an overwhelming welcome. The crowds that gathered in London both before and on Coronation Day were greater than on any previous occasion. The street and other decorations were a wonderful sight, and a noticeable feature was that the display in the poorest districts was even more lavish, if less expensive, than in the West-End. The pageantry of the Coronation ceremonial was magnificent, and the solemnity of the Dedication Service, was no less impressive. Of one thing there can be no doubt:

At a meeting of the Council of the Society held at the conclusion of the annual meeting on May 25th Mr. Walter Holman, whose portrait appears in this issue, was elected President. Mr. Holman is a partner in the firm of Allen & Baldry & Holmans, 36, New Broad Street, London. He was elected a member of the Society in 1911, when he qualified with honours, and has been a member of the Council since 1926. For the last two years he has occupied the position of Vice-President, and since 1928 has been an Examiner of the Society in accountancy subjects. He is a Freeman of the City of London and a Governor of the City of London College. Mr. Percy Toothill, senior partner in the firm of Henry Toothill & Son, of 9-11, Figtree Lane,

Sheffield, was elected Vice-President. He has been a member of the Society since 1918, and was elected a member of the Council in 1924.

At the annual meeting of the Institute of Chartered Accountants held in London last month an amendment to the resolution for the adoption of the report and accounts was moved to the effect that the sum of £3,500 shown in the accounts as "Allowance to Provincial Societies and London Students' Society for tuition" should be excluded pending an enquiry into, and report on, the circumstances in which the allowance was voted. The amendment was lost on a show of hands, but a poll was demanded. Another resolution bearing upon the same matter was also lost on a show of hands, and again a poll was demanded. The meeting accordingly stood adjourned for the poll to be taken. This has been done, but the result has not yet been announced.

An appeal has been proceeding in the Irish Courts against the judgment of Mr. Justice Hanna in the case of *Leech v. Stokes Brothers & Pimm*, which was fully reported in our December issue. The case was not concluded when the Court rose at the end of the sittings, and it was announced that the continuation of the arguments would have to stand over until next sittings.

Additional subjects for consideration have been referred to the Law Revision Committee by the Lord Chancellor. Amongst others, the Committee are directed to consider whether, and if so in what respects, the doctrine of contributory negligence requires modification. Meantime the Committee have issued their Sixth Interim Report, in which they deal with the subject of "Consideration in relation to Contracts." A summary of their recommendations will be found in another column.

The retirement of Sir George Stuart Robertson, K.C., from the public service has recently been announced. He had held the office of Chief Registrar of Friendly Societies since 1912, and that of Industrial Assurance Commissioner since 1923. It is interesting to recall that the total funds of Friendly Societies in 1912 amounted to £52,488,825; they now exceed £129,000,000. The total funds of all societies registered under the Friendly Societies Acts are now nearly £200,000,000, while the assets of Industrial and

Provident Societies exceed £300,000,000. Sir George will carry with him the good wishes of many members of the accountancy profession who have had dealings with him and with the Department over which he has so ably presided, in connection with the accounts of Co-operative and Friendly Societies. His successor is Mr. John Fox, O.B.E., who for twenty-five years has been Assistant Registrar of Friendly Societies and Deputy Industrial Assurance Commissioner.

It was decided in the *Falkirk Iron* case that a company was entitled to a deduction for rent paid in respect of business premises no longer actually used. A similar point arose in the recent case of *Allied Newspapers, Limited, v. R. Hindsley (Inspector of Taxes)*. A newspaper company having erected a building, sold it at cost price to a subsidiary company from whom it then leased the building for a period of twenty-five years. There was no intention of occupying the whole of the building, but it was necessary for the company to have control of the site to ensure uninterrupted access in connection with the distribution of its newspapers. Parts of the building were sublet, but during the years under consideration the rents received were much less than the lease rent, and the company claimed that the difference, about £10,000, was an admissible deduction from its profits for income tax purposes. The Inspector of Taxes did not agree, and the company appealed to the Special Commissioners, who held that while they were satisfied that the control of the premises was necessary for the purpose of the appellant company's business, the loss represented by the difference in rent was due to the subsequent arrangements entered into with the subsidiary company, and did not arise out of the company's business. In their opinion, therefore, the deduction claimed was not allowable.

The company again appealed, and this time they have been successful. After referring to the decisions in the *Falkirk Iron* case and *Ushers Wiltshire Brewery* case, Mr. Justice Lawrence came to the conclusion that the Special Commissioners having found that the control of the premises was essential to the company, it was not open to them to find that the renting of the premises was separate and distinct from the company's business. Such a decision would mean that in any case where a company did not require a portion of its premises and sublet them, the lease rent could no longer be deducted, a result which was entirely at variance with the above decisions.

SOCIETY'S ANNUAL MEETING.

WE publish this month the proceedings of the Fifty-Second Annual Meeting of the Society of Incorporated Accountants and Auditors, together with the report of the Council and the accounts for the year 1936. The membership of the Society at the end of the year was 6,908, consisting of 1,487 Fellows, 5,418 Associates, and 3 Honorary Members. These figures represent an increase of 244 on the preceding year. During the year the Society lost by death 55 members. Included amongst these was Mr. Frederic Walmsley, of Manchester, a Fellow and Honorary Member, who passed away in the month of December. Mr. Walmsley was an original Member of the Council, on which he retained his seat for over fifty years. He was also President of the Society from 1894 to 1898, and for long periods was an Examiner and Chairman of the Disciplinary Committee. Another Member of the Council who passed away suddenly was Mr. Frederick Holliday. The obituary list also includes the name of Mr. John Hyde, of Montreal, a Fellow and Honorary Member, who was the first President of the Dominion Association of Chartered Accountants, and Chairman of the Society's Canadian Branch from its formation in 1905.

The Society's examinations continue to attract a large number of candidates, 1,917 having presented themselves during the year. Of these, 930 succeeded in passing, and 987 failed. The percentages of failures in the different examinations were 51 per cent. in the Final, 51 per cent. in the Intermediate, and 53 per cent. in the Preliminary. This compares with an average over the last three years of 53 per cent. in the Final examination, 51 per cent. in the Intermediate, and 47 per cent. in the Preliminary.

The accounts of the Society show a surplus on the year of £3,228 after making the usual contribution towards the redemption of the Debentures. This surplus is more than twice the amount shown in the preceding year's accounts, the difference being accounted for by the heavy expenditure in 1935 in connection with the Society's Fiftieth Anniversary celebrations. The income for the year shows little variation, the subscriptions being slightly more, and the entrance fees and examination fees a little less.

Mr. R. Wilson Bartlett, in opening his Presidential Address, said it was his privilege in this Coronation year, on behalf of Incorporated Accountants at home and in the British Dominions and Colonies, to renew the dutiful and loyal devotion of the Society which the Council submitted to Their Majesties the King and Queen

upon the accession of His Majesty to the throne. The President also referred to his attendance at Westminster Abbey on the occasion of the Coronation, when he had the honour to represent the Society.

After paying tributes to the late Mr. Frederic Walmsley, Mr. John Hyde, and Mr. Frederick Holliday, whose decease we have already mentioned, Mr. Bartlett proceeded to congratulate the first two candidates who had been awarded exhibitions in connection with the Sir James Martin Memorial. He also stated that the Memorial Fund, amounting to £3,546, had been handed to and invested by the Trustees of the Incorporated Accountants' Benevolent Fund. He likewise referred to the second Post Graduate Course at Cambridge held in July of last year, which he trusted would become a regular feature of the Society's work.

The work of the Research Committee, Mr. Bartlett said, had reached a stage when some of the fruits of its labours could be published. Specimen forms of accounts had appeared in the April issue of the *Incorporated Accountants' Journal*, and evidence of the Committee's work in relation to Trust Accounts was about to appear. He appealed to the younger members of the Society to take an active interest in this research work.

The next matter mentioned by the President was the formation of a panel of lecturers whose services had been placed at the disposal of the District Societies—a departure which was being further considered with a view to its improvement and extension. The developments with regard to Fixed Trusts (now known as Unit Trusts) were also referred to, and likewise the rising costs in industry, which tended to reduce profit margins. In this connection Mr. Bartlett observed that the expert assistance which the profession could give was invaluable, as considerable savings could be effected by the extension of systematic costing analysis.

Passing to the subject of taxation, Mr. Bartlett referred to the provisions of the Finance Bill in relation to the proposed National Defence Contribution, and pointed out some of the complexities which would be encountered in its administration—complexities which, he said, would be infinitely greater than those which occurred in connection with Excess Profits Duty. The responsibility thrown upon professional accountants would thus be even more onerous than the burden which was readily shouldered in connection with the Excess Profits Duty, and it behoved every Incorporated Accountant to study closely the provisions of the Finance Act, when

passed. Meantime they could assist by constructive suggestions in securing desirable amendments of the Bill. He recorded with pleasure that Mr. Henry Morgan, a Past President of the Society, in his capacity of Chairman of the Finance and Taxation Committee of the Association of British Chambers of Commerce, had initiated the formation of a Committee comprising representatives of important organisations who could speak on behalf of trade and industry throughout the country. As a result, a memorandum was prepared embodying the considered views of that Committee as to the safeguards which were necessary to ensure that the Contribution should operate as equitably as possible. A delegation headed by Mr. Morgan submitted the Committee's report to the Chancellor of the Exchequer, and he (Mr. Bartlett) was pleased to observe that several of the recommendations contained in the report had been given effect to in the Finance Bill, but he deplored that the Bill contained no provision for an over-riding limit to liability in individual cases.

The discussion which followed the President's address was of a congratulatory character, and the proceedings terminated with an enthusiastic vote of thanks to Mr. Bartlett.

THE FINANCE BILL AND NATIONAL DEFENCE CONTRIBUTION.

THIS month we reproduce the text of the Finance Bill in so far as it relates to Income Tax and National Defence Contribution. The provisions relating to the latter are of a complicated character, and contain a good deal of legislation by reference which is always difficult to follow. A number of concessions have been made by the Chancellor of the Exchequer upon the scheme of contribution indicated in his Budget Speech, but he does not seem to have overcome the objection that wealthy concerns which escaped the depression may have to pay little or nothing of the National Defence Contribution, while those who suffered severely and have been struggling to recover will have to bear a disproportionate share. Another feature is that the amended scheme leaves individual concerns in a state of uncertainty as to the extent of their liability. It is important to observe that, with the exception of those cases in which an assumed capital standard of £25,000 is adopted, a computation of capital will be necessary in every case, and in this connection there are many points in doubt regarding the adjustments which will be required. We publish in another part of this issue the report of a Committee representative of the Chambers of Commerce and other

trade organisations of which Mr. Henry Morgan, F.S.A.A., was the Chairman. This Committee submitted a number of constructive recommendations, some of which have been adopted, but the recommendation which would have done most to remove the feeling of uncertainty the Chancellor has not seen his way to adopt, namely, the fixing of an over-riding limit of liability to the new Tax. One modification contained in the Finance Bill provides that the chargeable accounting periods will in every case commence from January 1st, 1937, and apparently the standard periods will be calendar years instead of the accounting years of the particular concerns. This will certainly be an advantage, as it will enable the whole of the year 1936 to be brought into the standard, whereas in the original proposal this would have occurred only in cases where the accounting year of the business ended on December 31st.

Amongst the concessions embodied in the Bill are the following :—

1. An alteration of the standard period. This was previously an average of the years 1933, 1934 and 1935. Now the taxpayer has the alternative of (a), an average of any three of the four years 1933, 1934, 1935 and 1936; or (b) an average of any two of the years 1933, 1934 and 1935.
2. New businesses will be allowed an extra 2 per cent. for three years, and businesses which have been slow in recovering from the depression will be entitled to carry forward the net loss made in the four years 1933 to 1936 as an off-set against the profits of the accounting periods.
3. A widening of the profit zones upon which the tax will be levied. In the case of companies, the first zone will now be up to 12 per cent., the second between 12 per cent. and 16 per cent., and the third over 16 per cent. In other cases the first zone will be up to 14 per cent., the second between 14 per cent. and 18 per cent., and the third over 18 per cent. It will be observed that the benefit of the lower rate of charge applicable to the first zone is greatly reduced by the fact that the standard profit is primarily deductible from the profit in that zone before arriving at the taxable figure. It therefore follows that in many cases only a small proportion, or it may be none, of the tax will be chargeable at the lowest rate.
4. The right to an increased statutory percentage in any class of business in which such increased standard was granted for the purpose of Excess Profits Duty, but this is subject to confirmation, variation or

revocation in accordance with the provisions contained in the Sixth Schedule.

5. The right to set off deficiencies below the standard as well as losses, in any accounting period, against an excess in another accounting period.
6. An allowance for increased capital in the accounting period.
7. An option to assume a capital standard of £25,000 in cases where the capital employed is small, but in such cases the marginal relief will cease to be allowed.
8. A right of appeal to the Board of Referees in relation to any application for an increased statutory percentage.

The provisions of the Bill as a whole will require very careful scrutiny, and will doubtless undergo more modifications before passing into law. We therefore reserve any further comments until a later stage.

INTERNAL DISPUTES OF SMALL COMPANIES.

INTERNAL disputes of a company which reach a deadlock require drastic handling. When a company consists of only two shareholders each of equal standing as shareholders and directors, and between whom there is an unending dispute, the only just and equitable course is to wind up the company. In *Re Yenidje Tobacco Company* (1916), Lord Justice Warrington stated that a company may be wound up if the state of things is such that a deadlock has been arrived at in the management of the business of the company. Where there are only two persons interested, where there are no shareholders other than those two, where there are no means of overruling by the action of a general meeting of shareholders the trouble which is occasioned by the quarrels of the two directors and shareholders, the company ought to be wound up if there exists such a ground as would be sufficient for the dissolution of a private partnership at the suit of one of the partners against the other.

In a partnership, refusal to meet on matters of business, continued quarrelling, and such a state of animosity as precludes all reasonable hope of reconciliation and friendly co-operation have been held sufficient to justify a dissolution. It is not necessary, in order to induce the Court to interfere, to show personal rudeness on the part of one partner to the other, or even any gross misconduct as a partner. All that is necessary is to satisfy the Court that it is impossible for the partners to place that

confidence in each other which each has a right to expect, and that such impossibility has not been caused by the person seeking to take advantage of it.

Where, however, the dispute is between directors only as distinct from the shareholders, a general meeting of members is the proper domestic tribunal, and the Court will not usurp its functions. In *Barron v. Potter* (1914) a deadlock arose because one of the only two directors refused to meet the other, and consequently no board meeting could be held. One director, P., was advised in the interests of the company to meet B., the other, wherever he could be found, and to use his casting vote as chairman in case B. should refuse to agree to the appointment of additional directors. On a certain day P., being at Paddington, seeing B. alight from a train, walked by his side and said to him, "I want to see you, please." B. replied, "I have nothing to say to you." P. then said, "I formally propose that we add . . . as additional directors to the board of the company. Do you agree or object?" B. replied, "I object, and I object to say anything to you at all." P. then said, "In my capacity as chairman I give my casting vote in their favour and declare them duly elected." (In this case it was incidentally held that a meeting is not necessarily legally convened if the persons concerned are merely physically present.) The Articles provided for the appointment of additional directors by the board, and the Court refused to appoint them. If directors having certain powers are unable or unwilling to exercise them—are in fact a non-existent body for the purpose—there must be some power in the company to do itself that which under other circumstances would be otherwise done. The directors being unwilling to appoint additional directors under the power conferred on them by the Articles, the company in general meeting has power to make the appointment.

There may be some difficulty in calling a general meeting since there can be no quorum of directors to authorise the calling of such a meeting. In that event sect. 114 of the Companies Act, 1929, may be invoked, which provides that the directors, notwithstanding anything in the Articles, shall, on the requisition of members of the company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid up capital of the company as at the date of the deposit carries the right of voting at general meetings, forthwith proceed to convene an extraordinary general meeting of the company. Provision is also made for the requisitionists to convene

the meeting themselves on the failure of the directors to do so.

Sometimes the Articles provide that if any dispute or difference should arise in consequence of which a directors' resolution fails to pass, the matter in dispute should be referred to arbitration, but this has a strictly limited application. It is said that according to the constitution of a particular company there was provided a means by which quarrels of the directors could be overridden for the benefit and advantage of the company and the deadlock could be got rid of, and the means suggested was the provision in the Articles for reference to arbitration; but that Article did not contemplate a case where, in the daily intercourse between the two directors, they were unwilling to speak to each other and discuss the affairs of the company. It related to specific cases where a particular resolution important to the company could not be passed because of a dispute or difference between the two directors, and it was therefore necessary to obtain the authority of some third person who would say what was to be done. It had no reference to the ordinary everyday business of the company and its conduct, and it did not provide the means of getting rid of the difficulties which were encountered in the case of *Re Yenidje Tobacco Company (supra)*. In that case there was a complete deadlock in the company's affairs. The two directors were not on speaking terms, the so-called meetings of the board had been almost a farce or comedy, the directors would not speak to each other on the board, and some third person had to convey communications between them which ought to have gone directly from one to the other. Arbitration would therefore provide no remedy, and in this case the general meeting of the members would have to solve the problem.

Obituary.

CECIL HOWARD NEAVE.

We regret to record that Mr. Cecil H. Neave, F.S.A.A., Hamilton, Bermuda, died on May 3rd at the age of 60. Mr. Neave was articled in Cape Town to the late Mr. Harry Gibson, F.S.A.A., and became a member of the Society of Incorporated Accountants in 1908, after taking Honours in the Final examination. He had been continuously in practice in Bermuda, where he was well known for his sterling character and his wide knowledge and experience in his profession. He was a keen golfer, and at one time the chess champion of Bermuda. The funeral took place on May 4th. The Venerable Archdeacon Marriott officiated, and the service was attended by the Attorney-General of Bermuda (Colonel T. M. Dill), the Mayor of Hamilton, and representatives of the banks, the Bermuda Railway Company, and other business undertakings.

PRESIDENT'S DINNER.

At the invitation of Mr. R. Wilson Bartlett, J.P., the President of the Society, a dinner was held at Incorporated Accountants' Hall on the evening of Monday, May 24th, when there were present:—The Mayor of Westminster, Air-Marshal Sir Frederick W. Bowhill, K.C.B., Sir Gilbert Upcott, K.C.B., Sir Ernest Fass, K.C.M.G., Sir Geoffrey Clarke, C.S.I., Sir Thomas Allen, J.P., Mr. Henry Morgan, Mr. Fred Bartlett, Lieut.-Colonel R. Tristram Harper, O.B.E., Hon. A. E. A. Napier, C.B., Mr. John Fox, O.B.E., Mr. C. Hewetson Nelson, J.P., Mr. Walter Holman (Vice-President), Sir Thomas Keens, D.L., Mr. A. M. Walker, Dr. W. H. Coates, Mr. R. B. Dunwoody, C.B.E., Mr. E. Russell-Taylor, Mr. Sydney Larkin, Mr. E. E. Bird, Colonel A. C. Davis, J.P., Mr. W. Allison Davies, C.B.E., Mr. S. H. G. Hughes, C.B.E., Colonel R. C. L. Thomas, D.L., Mr. E. Cassleton Elliott, Paymaster Rear-Admiral John Siddalls, O.B.E., Mr. A. de V. Leigh, M.B.E., Mr. T. Swinborne Sheldrake, Mr. F. J. Alban, C.B.E., Mr. F. Woolley, J.P., Mr. A. W. Street, C.B., C.M.G., Lieut.-Colonel A. Dunstan Adams, M.C. (Kenya), Lieut.-Colonel G. MacLeod Ross, R.E., Mr. Edward Baldry, Mr. R. Wynne Bankes, C.B.E., Mr. Charles Norton, M.C., Mr. A. Stuart Allen, Mr. G. Ismay, Mr. Richard A. Witty, Mr. L. D. Lewis, Mr. Edgar J. Rutter, Mr. A. V. Huson, Mr. Gilbert D. Shepherd, Mr. R. A. Wilson, Mr. Herbert Brittain, Mr. Henry J. Burgess, Mr. Woolmer T. C. Smith, Eng.-Captain Dennis Hoare, R.N., Mr. W. Nugent Bartlett, Mr. F. M. Forster, Mr. J. Paterson Brodie, Mr. Fred Whittingham, J.P., Mr. William Strachan, Mr. Percy Toothill, Mr. E. C. Martin, M.B.E., Mr. F. H. Dauncey, Mr. Frank Riseley, Mr. R. M. Branson, Mr. Alexander Hannah, Mr. Philip T. Jenkins, Mr. Arthur Collins, Mr. C. J. H. Cowdy, Mr. Percy H. Walker, Mr. A. H. Walkey, Mr. M. J. Faulks, Mr. Arthur H. Hughes, Mr. S. F. Wilkinson, Mr. James Paterson, Mr. Walter Glynn, Mr. Norman C. Richards, Mr. L. T. Little, Mr. Rex Crosoer (Durban), Mr. Bertram Nelson, Mr. D. E. Campbell, Mr. C. P. Barrowcliff, Mr. C. R. Thurstan (Kuala Lumpur), Mr. H. S. Bull, Major S. T. Tunbridge, T.D., Mr. W. Norman Bubb, Mr. Joseph Turner, Mr. Vernon Lawrence, Mr. Percy A. Hayes, Mr. C. A. Holliday, Mr. G. Astle, Mr. A. W. L. Sleeman, Mr. W. G. Buchanan, Mr. G. Roby Pridie, Mr. Stanley Scotter, Mr. Alton Ward, Mr. J. T. Singleton, Mr. M. P. Ferneyhough, and Mr. A. A. Garrett, M.B.E., Secretary of the Society.

There were no speeches, but the health of the President was proposed by Mr. Henry Morgan and Mr. Bartlett suitably acknowledged.

Professional Appointment.

Mr. Albert Bell, A.S.A.A., Borough Treasurer of Hyde, has been appointed City Treasurer of Canterbury.

Auditor's Report.

I have been considering the housekeeping money my husband gives me, and I find that at the end of the week I have no net loss and no gross profit.

—Wife at Police Court.

The Society of Incorporated Accountants and Auditors.

52nd ANNUAL GENERAL MEETING.

The 52nd annual general meeting of the Society of Incorporated Accountants and Auditors was held at Incorporated Accountants' Hall on May 25th. The **PRESIDENT** (Mr. R. Wilson Bartlett, J.P.) occupied the chair, and was supported by Mr. Walter Holman (Vice-President) and the following members:—

Mr. C. Hewetson Nelson, Sir Thomas Keens, Mr. Henry Morgan and Mr. E. Cassleton Elliott (Past Presidents); Mr. F. J. Alban, C.B.E., Mr. A. Stuart Allen, Mr. C. Percival Barrowcliff, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. H. J. Burgess, Mr. D. E. Campbell, Mr. Arthur Collins, Mr. Tom Coombs, Mr. W. Allison Davies, C.B.E., Mr. M. J. Faulks, M.A., Mr. Alexander Hannah, Mr. W. Bertram Nelson, Mr. James Paterson, Mr. F. A. Prior, Mr. Percy Toothill, Mr. Joseph Turner, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. Richard A. Witty and Mr. Fred Woolley (Members of the Council); Mr. George Astle, Mr. J. Bailey, Mr. Edward Baldry, Mr. C. W. Braddy, Mr. H. S. Bull, Mr. J. Burton Carter, Mr. A. C. Churchill, Mr. H. Creighton, Mr. A. S. Darr, Mr. Charles M. Dolby, Mr. T. W. Dresser, Mr. C. E. Edwards, Mr. M. P. Ferneyhough, Mr. F. M. Forster, Mr. E. J. P. Garratt, Mr. Arnold Graves, Mr. C. L. Hamer, Mr. Donald V. Hayden, Mr. P. A. Hayes, Mr. Arthur H. Hughes, Mr. J. E. Huggins, Mr. A. V. Hussey, Mr. Maurice W. Hustwick, Mr. A. J. Ingram, Mr. W. L. Karamelli, Mr. Harry C. King, Mr. C. W. Legge, Mr. R. T. Little, M.B.E., Mr. T. O. Morgan, Mr. S. Grave Morris, Mr. H. T. P. Nichols, Mr. George Palmer, Mr. P. D. Pascho, Mr. E. T. Peckham, Mr. Arthur E. Piggott, Mr. Halvor Piggott, Mr. G. Roby Pridie, Mr. L. Quinton, Mr. J. W. Richardson, Mr. C. A. Sales, Mr. Stanley Scotter, Mr. H. Basil Sheasby, Mr. R. M. Simpson, Mr. J. T. Singleton, Mr. A. W. L. Sleeman, Mr. Henry Smith, Mr. John E. Spoors, Mr. William Strachan, Mr. Maurice Thompson, Mr. William G. Tutt, Mr. Percy H. Walker, Mr. S. I. Wallis, Mr. John Wareing and Mr. D. J. Wilks.

The notice convening the meeting and the Auditors' report on the accounts having been read, the President proceeded to deliver his address.

President's Address.

The **PRESIDENT** said: It is my pleasure to move the adoption of the Fifty-second Annual Report and Accounts of the Society.

The past twelve months have been eventful in the history of the nation. The spirit of freedom, and of ordered progress, has governed great national events, and the character of the British peoples has fortified their confidence and their hopes in a world beset by many problems and uncertainty.

To-day most respectfully it is my privilege to renew, on behalf of Incorporated Accountants at home and in the British Dominions and Colonies the dutiful and loyal devotion of the Society, which the Council submitted to His Majesty the King and Her Majesty the Queen, upon His Majesty's Accession. And to our devotion may I add the respectful and spontaneous rejoicing which the Coronation of their Majesties has evoked in our hearts. The joy of the British peoples at this time is an expression of their affection towards their Majesties, for whose long life and happiness we earnestly pray.

A happy and loyal duty fell to me when, as President of the Society, I obeyed the King's command to attend at Westminster Abbey at the Coronation of their Majesties. It was a memorable event for me, when on that historic occasion, impressive in its spiritual significance as well as its splendour, I had the honour to represent my professional brethren in the Society of Incorporated Accountants.

During Coronation week Incorporated Accountants' Hall was illuminated by floodlighting, and I am very pleased that the site and the architectural beauty of this building so admirably lent themselves to this form of participation in the Coronation celebrations. I should like to acknowledge the assistance received in regard to the floodlighting from the various authorities who were consulted.

THE PAST YEAR.

The passage of time has again removed from us a number of our older friends in the Society. Mr. Frederic Walmsley, of Manchester, was not only an original member of the Society, but was on the Council from the beginning, and held his seat for over fifty years. At the time of his death he was the Senior Past President. The great affection in which Mr. Walmsley was held by his colleagues and friends in the Society was only equalled by his zeal for the welfare of the Society, and the considerable gifts of vision and judgment which he devoted to its service. The sudden death of Mr. Frederick Holliday was a great loss to the Council and to the Society, to whose work Mr. Holliday had long devoted himself, particularly in the City of Leeds. Mr. John Hyde, of Montreal, was one of the founders of the accountancy profession in the Dominion of Canada, and on many occasions had been instrumental in sustaining and protecting the interests of Incorporated Accountants in Canada, and in cementing the cordial and friendly relations between this Society and the accountancy bodies in that great Dominion. May I suggest that we do well to remember those, the fruits of whose labours we now enjoy.

Last year I referred to the establishment of the Sir James Martin Memorial Exhibitions, and now I have to congratulate the first two candidates who have been awarded Exhibitions: Mr. Alexander Greene, of London; and Mr. Roland J. Alban, of Cardiff, whose father, Mr. F. J. Alban, I am happy to say, is one of my valued colleagues in the Council. The total amount subscribed to the Sir James Martin Memorial Fund, amounting to £3,546, has been handed to and invested by the Trustees of the Incorporated Accountants' Benevolent Fund. The additional income which this investment will give to the Trustees will be very helpful to them. I may mention that it is the intention in the future to hold the annual general meeting of the Benevolent Fund on the same day as the annual meeting of the Society—a change made by the Trustees which I am sure we shall all welcome.

EDUCATIONAL WORK.

The Second Course given at Cambridge in July of last year again demonstrated the usefulness to the younger members of the Society of a short course of a post-graduate character. Personally I am anxious that this course, every other year, shall become a regular feature of the Society's educational programme, and that each course shall develop some new feature of work, and also maintain the high level of zeal and accomplishment which have marked the first two courses. I must again, and with pleasure, say how much we are indebted to the Master and Fellows of Gonville and Caius College for the many facilities kindly granted to the Society.

The Research Committee, on which some members of the Council enjoy the co-operation of several of their fellow members of the Society, has developed a new field of work, and has reached a stage when the fruits of its research can be published. In this connection I would refer to the specimen forms of accounts in the April issue of the *Incorporated Accountants' Journal*. The work of this Committee has been directed to practical objectives, and I am confident that results will be ultimately produced which will be of real service to the profession. May I appeal to the younger men of the Society to undertake some work in connection with the Research Committee, because there is need of a considerable number of people working in different fields of research. I am sure the Chairman (Mr. Richard A. Witty), or our Secretary, will be pleased to hear from any volunteers in this regard.

During the past year the Council placed at the disposal of District Societies a panel of lecturers, who have been good enough to travel to different parts of the country to deliver lectures to members and students. The results of this new section of work, which I believe are satisfactory, will be further considered with a view to the improvement and extension of this type of organisation.

The Council is very grateful to all who have contributed to the Society's educational work at Cambridge, in the District and Students' Societies, and in connection with the panel of lecturers.

UNIT TRUSTS.

In my speech last year I referred to the appointment of the Board of Trade Committee, presided over by Sir Alan Garratt Anderson, for the investigation of what were then known as "Fixed Trusts." The importance of and need for that investigation was apparent. Mr. Henry Morgan was good enough to submit evidence on behalf of the Society of Incorporated Accountants, and I was glad to find that the recommendations of the Committee included the main points which were represented by Mr. Morgan in his evidence. Registration of Trusts, full publicity of all relevant information, and control by the sub-unit holders, were the main principles advocated. The Board of Trade Committee recommended that a deposit of £20,000 should be made to the Paymaster-General by management companies in respect of each unit trust formed. This is a sound principle to ensure that this class of business shall remain in the hands of responsible and substantial people. I sincerely hope

that the necessary legislation on this matter will be introduced and carried into effect at an early date.

ECONOMICS AND ACCOUNTANCY.

The recent prosperity in industry and trade is not without its problems. Though there has been a remarkable recovery in the heavy industries, in most cases up to or even beyond the level of activity in 1929, we have now reached the stage where increasing attention must be paid to rising costs in industry. Profit margins are already threatened in some cases, and it would be unwise not to attach great significance to a possible spreading of such instances. I would stress the great part which accountants can and should play in a phase such as the present. The expert assistance which the profession can give to industrialists and traders in many different directions is invaluable at a time when economic forces are causing costs to rise. For example, the extension of systematic and thorough-going costing analysis to the many concerns which so far have made little or no use of this modern side of accountancy technique, could result in considerable savings in industry and trade. Company reorganisations and schemes of financial rationalisation can offset in a large measure difficulties due to increased costs on the production side of industry. Great service has been rendered in these and similar ways by accountants in the past, but there is now a much greater scope for the expert assistance which only the qualified accountant can supply.

NATIONAL DEFENCE AND TAXATION.

The country as a whole has accepted the necessity of huge expenditure upon the re-equipment of the Defence Forces, and it has been recognised that this expenditure would involve substantial increases in taxation. The need for so large an outlay on rearmament may be deplored, but the industry of the country has on many occasions indicated its willingness to make the necessary contribution towards the outlay which the Government has been forced to incur. It was no surprise, therefore, that the Chancellor in his Budget Speech should have adopted an increase in the standard rate of income tax, but the proposal for the imposition of the National Defence Contribution caused much surprise and considerable opposition. It is not my function to deal with the political side of the proposed duty, and so I propose to confine myself to some remarks upon the aspects which will particularly affect our profession. The analogy between the National Defence Contribution and the excess profits duty is readily apparent, but the circumstances of the pre-War and the War periods were so different from those of the recent past, and the immediate future, that the complexities which will be encountered in the administration of the N.D.C. must be infinitely greater than those which occurred in connection with excess profits duty. One notable difference is that the immediate pre-War years were in general years of relatively stable prosperity, while during the past ten years, the experience of various industries has been so diverse, that the utmost difficulty will arise in ensuring to each industry a fair normal standard of profit-earning.

Those of us who had practical experience of the application of the excess profits duty will remember

the complexity of the calculations in all except the simplest cases, and no one could deny that in the past two decades important economic changes and the unprecedented depression have led to ever-increasing complications within trade and industry itself. It follows that the responsibility thrown upon the profession on the present occasion will be even more onerous than the burden which was readily shouldered in connection with excess profits duty, and it behoves every Incorporated Accountant to study closely the provisions of the Finance Bill in order to be able to put forward constructive suggestions for its amendment. Subsequently, when the Finance Act is finally passed, the most intimate knowledge of its provisions will be essential to the discharge of our duty to the trading community. Certain members of the Council of the Society have given the closest attention to this important matter from the time that the proposals were originally enunciated, and it is with pleasure that I record that Mr. Henry Morgan, a Past President of the Society, in his capacity as Vice-President of the Association of British Chambers of Commerce and the Chairman of the Finance and Taxation Committee of that body, initiated the formation of a Committee, comprising representatives of important organisations, which could speak on behalf of trade and industry throughout the country. As a result of the collaboration of these varied interests, a memorandum was prepared, and submitted to the Chancellor of the Exchequer. This memorandum was designed to reflect the considered views of members of that Committee as to the safeguards which were necessary to ensure that the contribution should operate as equitably as possible. Subsequently the Chancellor received a delegation which was headed by Mr. Morgan. Among the delegates was Mr. A. Stuart Allen, another member of the Council who had taken an active part in the preparation of the Committee's report. The report, which was recently published, makes it clear that the difficulties inherent in the suggested contribution have been fully appreciated by the Committee.

THE FINANCE BILL.

The issue of the Finance Bill yesterday afternoon has left me time for but a cursory scrutiny of the complex provisions relating to the National Defence Contribution. A number of the suggestions put forward by the Committee of which Mr. Morgan was Chairman have been adopted. These concessions include a common commencing date of liability, namely, January 1st, 1937; and some choice of periods for the profits standard, but the choice allowed in the Bill will, I fear, be found woefully inadequate in many instances, and falls far short of the well-considered recommendations of the Committee. The Finance Bill grants an allowance for additional capital; this is of the first importance, and I cannot but express surprise that it found no place in the Chancellor's original proposals. New businesses are to receive concessional treatment, but only, it should be noted, within narrow limits. Variation of the standard percentage of profits on the capital standard, another recommendation of the Committee, is adopted under the Bill. I must deplore

that the Bill does not contain a provision setting an over-riding limit to liability in individual cases. This was one of the most important recommendations of the Committee, and more than any other modification would have served to remove uncertainty. It would therefore have been most welcome to trade and industry at large, and would have reassured the very large body of investors in ordinary shares on whom industrial progress largely depends. As an accountant I find myself left in considerable doubt as to the precise significance of the references in the Bill to the standard years as the years 1933-1934-1935 and 1936. It is to be hoped that the standard years will be calendar years in all cases, so that, by splitting accounts where necessary, all businesses may have an equal right to include the whole of 1936 in the standard period. In some quarters the proposal to set a notional minimum of £25,000 as the statutory capital of businesses whose capital requirements are small has been hailed as a major concession. Coupled as it is with the withdrawal of the marginal relief, I feel that in practice it may prove to be of very doubtful value.

I must refer to one important aspect of the representations which have been made to the Chancellor. In certain quarters it is alleged that trade and industry have attempted to dictate to the Chancellor terms on which the National Defence Contribution would be accepted. With an intimate knowledge of the attitude of mind which inspired Mr. Henry Morgan and his Committee, I can assert that the sole desire of this Committee was to represent to the Chancellor certain major difficulties and inequities inherent in his proposals, and to put forward helpful and constructive suggestions thereon.

I must once again stress that the main problem arising is that the increased complexity of trade and industry at large must involve many difficulties of major consequence which did not occur in connection with excess profits duty, or if so, only less frequently and to a relatively minor extent. The accountant's task and responsibility are increased by the fact that under the National Defence Contribution, precise computation of capital is necessary in almost every case, whereas under the excess profits duty exact calculation was only necessary as an exception. In addition the widespread development of subsidiary companies and amalgamations must make the computation in itself a more difficult operation than it would have been some years ago. The fact does remain that the additional revenue which trade and industry must provide can only be secured with the unstinted collaboration of the accountancy profession, which must equip itself by every means in its power to discharge its responsibilities with that independence and efficiency which are its proudest tradition.

The minor proposals of the Budget include a further provision for preventing the avoidance of surtax by what are called "one-man" companies. Personally I regret that the Chancellor is seeking to apply this provision to surtax for 1935-36, so that assessments which have already been settled and paid must be re-opened. While I appreciate the grounds for Mr. Chamberlain's action, which he

indicated in his Budget speech, I feel that retrospective legislation especially in regard to taxation is a bad principle. Moreover, it creates a dangerous precedent which conceivably may be used on some future occasion with little justification.

THANKS TO COLLEAGUES AND MEMBERS.

I desire, very sincerely, to thank my Vice-President and my colleagues on the Council, and members of the Branches and District Societies, for their unfailing help and co-operation, and my friends in all parts of the country for the assistance and kind hospitality they have always extended to me.

The two years during which I have had the privilege of occupying the office of President have been marked by many events of historical interest. My work has entailed strenuous effort and many sacrifices, but if you feel that the services I have been able to render to and on behalf of the Society have been carried out to your satisfaction, I can truly say that I have been well repaid by the many new friends which I have made and by the cementing and extension of many old friendships.

Before concluding, I would particularly desire to extend the appreciation of the Council, and also my own personal sincere thanks, to our Secretary, Mr. A. A. Garrett, and to all members of the staff for their work on behalf of the Society. I would also like to extend a warm welcome to our new Deputy Secretary, Mr. L. T. Little, and trust that he may soon absorb and imitate that splendid spirit of service to the Society which Mr. Garrett has given to us for many years.

Mr. WALTER HOLMAN (Vice-President) formally seconded the adoption of the Report and Accounts.

Discussion.

Mr. W. J. BACK (London) said he would like to express to the President on behalf of the members present, their thanks for the services and sacrifices he had rendered and made during his period of office. Sacrifices were inevitable, particularly when the President had to come from the Provinces. He would like to take that opportunity of calling attention to one inevitable omission from the President's speech; it was not, however, omitted from the Council's report. In the report reference was made to the thanks the Council had given to the President for the Panel which he had presented to Incorporated Accountants' Hall on which the names of Past Presidents were inscribed. He would like to say how well it fitted in with the general contour of the room and how valuable an addition it was to the architecture of the Hall. He would also like to echo, on behalf of the rank and file, what the President had said with regard to Mr. Garrett and Mr. Little. He was sure that they all felt that Mr. Little would worthily fill the office of Deputy to Mr. Garrett, and more than that no one could say. With regard to the Cambridge Course for the younger members of the Society, those who, like himself, happened to be on the list of Panel Lecturers, appreciated what the President had said; but they had all appreciated the opportunity of moving about the country and meeting friends in a way that would have been impossible before that Panel was instituted. Personally, he had greatly appreciated the interest and enthusiasm shown by the Secretaries of the District Societies and others in arranging the meetings and encouraging members to attend. The President had referred to the Research Committee. The members of that Committee very much appreciated Mr. Wilson

Bartlett's kind references to their efforts. A great deal of work had been done. It was quite true that the members had neither the specialist knowledge nor the time to enable them to enter upon difficult economic investigations. But there did remain ample scope for research in connection with matters of which they had professional experience, and he would like to suggest to younger members that there was very great value to be gained, when once they had passed their examinations, by taking in hand some serious object for study and research with a view to making a contribution to the general knowledge. Would it be possible, Mr. Back asked, for the Committee to consider the desirability or the possibility of allowing members who had Pass Certificates to engage in some research work with a view to gaining an Honours degree for a thesis instead of some subject of examination? If such a thesis were thought to be of sufficient merit, Honours might be added to their diplomas in somewhat the same way as Honours were added to University degrees. At a time when members needed to be encouraged to do some serious study, that suggestion, he thought, might be of some use.

Mr. H. S. BULL (Plymouth) said he felt it would be presumption on his part to try to add anything other than his expression of admiration for what was contained in the President's address. He considered that address to be a masterly and impartial review of many difficult problems, particularly that connected with impending legislation regarding extra taxation. The President had spoken of political considerations, and of course one could understand how difficult it was for him to avoid saying anything of a political nature in dealing with that intricate matter. Speaking as a member of their profession, as a practical man and one who carried out his duties to some extent in the commercial world, he regarded the taxation proposals now before Parliament with a certain amount of misgiving. He hoped that the discussion which would take place in the House of Commons on the proposals put forward by the Chancellor of the Exchequer would take the form of a very full and very critical examination, because some of them remembered the Excess Profits Duty, and knew that that was not dead even yet. Might he conclude by saying, on behalf of the district he represented, how much they appreciated the able, tactful way in which Mr. Wilson Bartlett had presided over the destinies of the Society during the past 12 months? The Presidential Address was not only diplomatic and statesmanlike and worthy of the highest traditions of their profession, but it was also worthy of the beautiful Hall in which they were gathered.

Mr. H. BASIL SHEASBY (London) said that, as one of the younger members, he wished to say how heartily he appreciated the Cambridge Course. There had been extraordinary enthusiasm over the work—not only over the lectures—and the valuable discussions which took place afterwards. It was not so much a discussion of the lecture but a pooling of knowledge and a discussion of problems connected in some way with the lecture. He thought everybody who went away from the group discussions felt that they had gained much more from the lectures than they would have done in the ordinary way if the discussions had taken place in a large hall. In addition to that, rather a strange thing happened—a number of groups held unofficial group meetings outside the programme, which showed that there must have been very considerable enthusiasm. He hoped that the President's suggestion that that might be a regular portion of the work of the Society of Incorporated Accountants would be carried out and that every other year they would hold a post-graduate Course at one of the Universities. On the question of research, he was one of the younger members who sat on the Research Committee;

they had not achieved very much yet, but research was a slow process. They had been carrying on now for 2½ or 3 years and when they started they did not expect to be able to publish anything within that period. Their first book, "Practice in Auditing," was practically on the stocks and they hoped it would be a useful contribution to the literature of the profession. The Research Committee consisted of very busy people and if that Committee were to go forward as it was doing, he foresaw that it might be necessary at some future time to do what they were doing now in America, where the professional bodies engaged and paid people to do research work.

Mr. HENRY SMITH (Manchester) said that his remarks would refer briefly to the accounts. There were two items upon which he would like a little information. The first was with respect to Legal and Parliamentary Expenses, which had increased from £174 to £659. Might they be told the reason for that increase? The second point was with regard to Depreciation of Furniture, &c., £222. Would the President explain what the "&c." meant?

Mr. H. PIGGOTT (Manchester) said he would like to congratulate the President upon the address he had given them that afternoon, and he was offering no criticism when he suggested that the President might have made one appeal to the members of the Society which he was now going to dare to make himself. He observed from the Council's report that during the year they only had 50 Associates who were advanced to Fellows, and in that advance they had only made good the resignations and adjustments. Members would see by the Report that the number of Fellows was 1,487, the same as in 1934, out of a total membership of 6,908, which had increased by some 520. He would like to appeal to members of the Society who were Associates to support the Council and the Society to a greater extent by taking up Fellowship.

Mr. A. V. HUSSEY (London) said that speaking in that beautiful Hall the word "insolvency" was rather out of place, but he estimated that 20 millions a year were lost in bad debts. At present the position was that a person who could perform the duty of trustee need not be an Incorporated Accountant or a Chartered Accountant; he might even be a butcher, a publican or a baker, whose registration as trustee was duly recorded at the Board of Trade. It seemed to him that there was something wrong in regard to that matter and he did hope that the profession would not make the mistake again which apparently it made prior to the time when he (the speaker) became a member of the profession. The passing of the Administration of Estates Act in 1926 seemed to have left a gap which certain institutions had made good use of; he referred to the advertisements which they read in the daily newspapers and which they saw exhibited in railway compartments telling them what to do with regard to their wills, &c., and giving a general indication as to the services which a bank or insurance company could render in carrying out their desires after their decease. It might be that the accountancy profession was not very much affected by that, but he had very recently seen a copy of the accounts rendered to a beneficiary by one of the Big Five. The estate was not particularly large, but the bank had undertaken the work for a charge which he would have expected for his typist's services and the stationery used in furnishing those accounts to the beneficiary. The Companies Act of 1929 made very good provision so far as the accountancy profession was concerned, because it clearly laid down that a corporate body could not act as a receiver or liquidator; therefore, so far as companies were concerned, they had to be wound up by individuals. Looking at

the other side of the question—the case of sole traders or partnerships—what would be the result if a solicitor were nominated to be trustee or a limited company were nominated to be trustee, in bankruptcy? Would that limited company be allowed to act? He had asked the question but it seemed there was no answer just at the moment. There was a belief that they might be able to refuse the appointment to a limited company, but they did not seem to be definite about it at the moment. What he was really putting to the President was that the accountancy profession should be careful not to slide into the—he hardly liked to use the word—blunder, but it seemed that in 1926 someone did blunder in letting insurance companies and banks undertake executorship work. He therefore wished to ask the President if he could table for the consideration of the Council some overture to be made to the Board of Trade on some future occasion in the hope that they could cement the relationship which existed at the present moment; that was to say, the Board were only too happy to register the appointment of a trustee or liquidator if he was a member of their Society or of another institution. At the present moment registration in the profession was a closed chapter and it would be for some years to come at least. He suggested, therefore, that this might be an opportune time to give consideration to the matter he had mentioned. He wanted, in conclusion, to say that recently he had thought of the formation of a panel similar to that which was applicable with regard to public auditors. They had heard that afternoon a reference to model accounts dealing with executorships but from the way in which corporations, banks and insurance companies were being given executorships and were finding favour amongst ordinary small business men, it might be that the accountancy profession, if it was not careful, would have very little need for a model set of executorship accounts. He would like to take the opportunity of extending to the President and to the gentlemen on the Council his very sincere appreciation of all the work they were doing.

The PRESIDENT said he would ask the Chairman of the Finance Committee to reply to the two questions raised by Mr. Henry Smith, of Manchester.

Mr. C. HEWETSON NELSON (Liverpool) said he confessed to a sense of disappointment at the comments which had so far been made upon the accounts. If members would look at the balance, the surplus of the year, and compare it with the preceding year, they would see why he anticipated that at this Annual Meeting all the remarks would be of a congratulatory nature. With regard to the questions put by Mr. Smith, the first one was with respect to the Legal and Parliamentary expenses. That kind of expenditure came along, as they all knew in their daily practice, when they least expected it, and it so happened that in the past year they had dealt with certain Parliamentary Bills in regard to which they had a joint arrangement with the Institute. They had had to take Counsel's opinion upon two or three matters of some magnitude. They had also had costs in regard to the establishment of the Pensions Fund for the staff, of which he was sure every member would approve. Unfortunately they had had costs in regard to injunctions to prevent people calling themselves Incorporated Accountants who were not such. Might he take the opportunity of saying how much he, as the senior Past President, appreciated, and he was sure they all ought to appreciate, the very valuable services of Messrs. Norton, Rose & Co., their solicitors, and how glad they were to see Mr. Charles Norton there that day. With regard to the other point—the depreciation of furniture, &c.—the "&c." seemed to bother the questioner, but if he would look at the balance sheet he would discover that they not only wrote something off furniture

and fittings, but also wrote something off the library account.

The PRESIDENT said he would like to thank all the speakers for their remarks with regard to his work during the past two years. He had been particularly pleased to hear Mr. Back's statement as to his experience as one of their panel lecturers, because Mr. Back had been good enough to undertake a very great deal of work in connection with that course. With regard to his suggestion as to the possibility of the Society accepting a thesis for an Honours Degree, he might tell Mr. Back that he would refer that point to an appropriate committee for consideration. With reference to the remarks of Mr. Bull, of Plymouth, he quite agreed that all the clauses in the present Finance Bill would require the closest and the most critical examination before that Bill became an Act. Regarding Mr. Basil Sheasby—he was more than delighted to see that gentleman again. He remembered with a great deal of pleasure the times they had together during the Cambridge Course. It was a real pleasure now to look round that room and see how many of the younger members who started taking a real interest in the Society at the Cambridge Course three years ago were now becoming admirers of and close workers in the affairs of the Society. He hoped that aspect of the Courses would continue and go from strength to strength. He was very glad that Mr. Piggott, of Manchester, had made an appeal to Associate members of the Society to consider the desirability of obtaining their Fellowship. Respecting the observations of Mr. Hussey, might he suggest to Mr. Hussey that he should send in a draft of his suggested overtures to the Board of Trade, and he could assure him that the matter would receive attention.

The motion for the adoption of the report and accounts was then put to the meeting and carried unanimously.

The PRESIDENT said that, arising out of the report, it was his pleasure to move the following resolution:—

"That the members of the Society of Incorporated Accountants and Auditors in general meeting assembled approve and confirm the action of the Council in contributing from the funds of the Society during the year 1936 the sum of 250 guineas to the King George V Memorial Fund."

As this particular Fund was not one of the objects of the Society, the President said it was necessary for this resolution to be passed.

The resolution was unanimously agreed to.

Sir THOMAS KEENS (Luton and London) said that the resolution he had to move was that of the re-election of nine members of the Council, three of whom were London members and six Provincial members. He moved:—

"That the following members of the Council who retire in accordance with the provisions of Article 49 be re-elected:—London: Mr. Albert Stuart Allen, Mr. Edward Cassleton Elliott, Mr. Walter Holman. Provinces: Mr. Ralph Macaulay Branson, Mr. John Paterson Brodie, Mr. Duncan Edward Campbell, Mr. Arthur Collins, Mr. William Allison Davies, C.B.E., Mr. Charles Hewetson Nelson, J.P." Mr. PERCY TOOTHILL (Sheffield) seconded the resolution, and it was carried unanimously.

Mr. E. CASSELETON ELLIOTT (London) proposed:—

"That the following members appointed to fill occasional vacancies on the Council in accordance with the provisions of Article 48, be elected members of the Council:—London: Mr. William Bertram Nelson. Provinces: Mr. Tom Coombs, J.P., and Mr. Alexander Hannah."

Mr. JAMES BATTINSON seconded the resolution, and it was carried unanimously.

Mr. TOM COOMBS, J.P. (Lord Mayor of Leeds), said he wished very sincerely to thank members for the honour

they had conferred upon him by electing him a member of the Council. He would endeavour to the fullest extent to acquit himself in such a manner as he hoped at some future meeting would meet with their entire approval.

Mr. D. V. HAYDEN proposed the following resolution:—

"That Mr. Arthur Henry Hughes (Hughes & Allen), Incorporated Accountant, London, be re-elected an Auditor of the Society at a remuneration of thirty guineas. That Mr. Percy Henry Walker, Fellow in Public Practice, Cardiff, who has been nominated as Provincial Auditor of the Society in accordance with the provisions of Article 92, be elected an Auditor of the Society at a remuneration of thirty guineas, his travelling expenses to be paid in addition."

Mr. T. W. DRESSER (Leeds) seconded this resolution, and it was carried unanimously.

Mr. C. HEWETSON NELSON (Liverpool) said that this was the last occasion on which they would have an opportunity in Annual Meeting of conveying to their President their appreciation of his services to the Society during his period of office. He therefore begged to propose the following resolution:—

"That the members of the Society of Incorporated Accountants and Auditors in annual meeting assembled tender to Mr. Richard Wilson Bartlett, J.P., very sincere and cordial thanks for the efficiency and impartiality with which he had discharged the duties of the office of President of the Society from 1935 to 1937; they record especially their appreciation of his work in connection with the Course at Cambridge in 1936 and his services in maintaining and strengthening the organisation of the Branches and District Societies."

The resolution was carried by acclamation.

The PRESIDENT, in reply, said he was not going to detain the meeting more than a few moments in order to say thank you very sincerely for the very kind vote of thanks. There was an announcement he had been particularly asked to make by his friend and successor Mr. Walter Holman. With regard to the forthcoming Conference to be held in Belfast in June of this year, Mr. Holman was particularly anxious that all members should do their utmost to go across to Northern Ireland and support him during that Conference. He hoped there would be a good response to that request.

52nd ANNUAL REPORT.

The Council has pleasure in submitting to the members its 52nd Annual Report and the Accounts of the Society for the year 1936.

ACCESSION OF HIS MAJESTY KING GEORGE VI.

On the Accession of His Majesty King George VI the following Loyal Address was submitted to Their Majesties the King and the Queen:—

May it please Your Majesties

To receive an expression of the humble duty of the President, Council and members of the Society of Incorporated Accountants and Auditors.

Most dutifully they offer loyal and respectful good wishes upon Your Majesty's Accession to the Throne.

May Your Majesties be long spared to reign over Your Majesty's subjects in Great Britain, the British Dominions and Colonies, and to enjoy their heartfelt and loyal devotion to the Throne and to the persons of Your Majesties.

A gracious acknowledgment has been received.

NEW MEMBERS.

During the year 1936, 357 new members were admitted to the Society, and 50 Associates were advanced to Fellowship, as follows:—

		Fellow	Associates
England and Wales	1*	304
Scotland	—	8

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Year

1934
1935
1936
Total

Ireland	12
Channel Islands	1
India	7
South Africa	24
Total	53

* Re-admission.

ASSOCIATES ADVANCED TO FELLOWSHIP.

England and Wales	37
Scotland	1
Ireland	2
India	1
South Africa	8
Kenya Colony	1
Total	50

The figures for the past three years are :—

	1934	1935	1936
New Members	329	379	357
Associates advanced to Fellows	51	45	50

TOTAL MEMBERSHIP.

The total number of members on December 31st, 1936, was 6,908, and consisted of 1,487 Fellows, 5,418 Associates, and 3 Honorary Members: Two Fellows held rank as Honorary Members.

The figures for the past three years are :—

	1934	1935	1936
Fellows	1,487	1,481	1,487
Associates	4,894	5,180	5,418
Hon. Members	3	3	3
Total	6,384	6,664	6,908

OBITUARY.

During the year 1936 notification of the deaths of 55 members (24 Fellows and 31 Associates) was received with regret.

Mr. Frederic Walmsley, J.P., Manchester, Fellow and Honorary Member, who died in December, 1936, was an original Member of the Council, and retained his seat for over fifty years. He was President of the Society from 1894 to 1898, and for long periods was an Examiner and Chairman of the Disciplinary Committee.

The list includes also the names of Mr. Frederick Holliday, Leeds, Fellow and Member of the Council, and Mr. John Hyde, Montreal, Fellow and Honorary Member. Mr. Hyde, who was the first President of the Dominion Association of Chartered Accountants, became a member of the Society in 1905, and was Chairman of the Society's Canadian Branch from its formation in the same year.

PRESIDENT AND VICE-PRESIDENT.

After the annual general meeting of the Society held in May, 1936, Mr. R. Wilson Bartlett, J.P., F.S.A.A., Newport, Mon., and Mr. Walter Holman, F.S.A.A., London, were re-elected President and Vice-President respectively.

EXAMINATIONS.

The number of candidates at the Preliminary, Intermediate and Final Examinations was 1,917, of whom 990 passed and 987 failed.

The following are the comparative figures for the past three years :—

Year	FINAL			INTERMEDIATE			PRELIMINARY		
	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed
1934	794	46%	54%	973	50%	50%	239	51%	49%
1935	795	45%	55%	992	48%	52%	222	61%	39%
1936	753	49%	51%	927	49%	51%	237	47%	53%
Total	2,342	1,092 47%	1,250 53%	2,892	1,418 49%	1,474 51%	698	369 53%	329 47%

PRIZES AND HONOURS CERTIFICATES.

Prizes and Honours Certificates were awarded to the following candidates :—

FINAL EXAMINATION.

1st Certificates of Merit—

Simpson, Herbert William, Bradford (May, 1936).
Burns, Ronald Gavin Hamilton, Durban (May, 1936).
Follows, William Allen, Stoke-on-Trent (November, 1936) (Prize).

2nd Certificates of Merit—

Coorland, Lazarus, London (May, 1936).
Mun-Gavin, Colin Ivor, Durban (May, 1936).
Simmons, Michael Philip, Bournemouth (November, 1936) (Prize).

3rd Certificates of Merit—

Rushforth, William Edward, Wigan (May, 1936).
Sephton, Claudian, Formby (November, 1936) (Prize).

4th Certificate of Merit—

Russell, Francis Thomas, London (November, 1936).

5th Certificate of Merit—

Marjoram, Cyril Ivor, Norwich (November, 1936).

6th Certificate of Merit—

Marshall, Arthur, Mansfield (November, 1936).

7th Certificate of Merit—

FitzPatrick, John Ignatius, Dublin (November, 1936).

INTERMEDIATE EXAMINATION.

1st Place Certificates—

Sugden, Gilbert, Taunton (May, 1936) (Prize).
Grindrod, Fred Schofield, Enfield (November, 1936) (Prize).

2nd Place Certificates—

Smith, Harry, Chesterfield (May, 1936) (Prize).
Marsh, Norman, Wolverhampton (November, 1936).

3rd Place Certificates—

Crow, Derrick Longridge, Nottingham (May, 1936).
Shackcloth, Harold, London (November, 1936).

4th Place Certificates—

Keeling, Herbert, Nottingham (May, 1936).
Lewis, Arthur Henry, Luton (November, 1936).

5th Place Certificates—

Mack, Christopher Utrick, Newcastle-upon-Tyne (May, 1936).
Rawlins, Horace Milman, Newport (I.O.W.) (November, 1936).

6th Place Certificates—

Rookwood, Dan Francis, London (May, 1936).
Mervill, James Hedley, Nottingham (November, 1936).

7th Place Certificates—

Greene, Alexander Philip Isaac, London (May, 1936).
Alban, Roland John, Cardiff (November, 1936).

8th Place Certificates—

Currie, Charles Robinson, Birkenhead (May, 1936).
Hollings, Percival Albert, Cambridge (November, 1936).

9th Place Certificate—

Curran, John Joseph, Dublin (November, 1936).

PRELIMINARY EXAMINATION.

1st Place Certificates—

Bridgwater, Hildred Irene, Birmingham (May, 1936).
Carey, Arthur Patrick, Lismore (I.F.S.) (November, 1936) (Prize).

2nd Place Certificates—

England, Dennis John, London (May, 1936).
James, Nancy Kathleen, Leicester (November, 1936).

GOLD AND SILVER MEDALS.

The Gold Medal for the 1936 examinations was awarded to Mr. William Allen Follows, Stoke-on-Trent, who was placed first in order of Merit in the Final examination in

November, 1936. The Silver Medal was awarded to Mr. Michael Philip Simmons, Bournemouth, who was placed second in the same examination.

SIR JAMES MARTIN MEMORIAL EXHIBITIONS.

The first awards of the Sir James Martin Memorial Exhibitions have been made as follows in respect of the Intermediate Examination, 1936:—

May, 1936: Mr. Alexander Philip Isaac Greene, Articled Clerk to Mr. W. Gidley Dunn, F.S.A.A., London.

November, 1936: Mr. Roland John Alban, Articled Clerk to Mr. F. J. Alban, C.B.E., F.S.A.A., Cardiff.

KING GEORGE V MEMORIAL FUND.

The Council sent to the Lord Mayor of London, on behalf of the Society, a donation of 250 guineas to the King George V Memorial Fund. Members will be asked to pass a resolution to approve the Council's action.

INCORPORATED ACCOUNTANTS' COURSE, 1936.

A course for the younger members of the Society was held at Gonville and Caius College, Cambridge (by kind permission of the Master and Fellows) from July 1st to 5th, 1936, and proved as successful as that held in 1934.

The thanks of the Council and of the members who attended the course were forwarded to the Vice-Chancellor of the University of Cambridge for his presence and for his interest in the course; to the College; and to all who granted facilities or otherwise contributed to the course.

RESEARCH COMMITTEE.

The Research Committee of the Society has continued its deliberations throughout the year. Consideration is being given to a number of professional subjects of outstanding interest. It is hoped that the Committee's first reports will deal with the subjects of "Standard Practice in Auditing, with a Memorandum on the use of Machines in Accounting" and "The Design of Accounts."

The Research Committee is in friendly contact with the recently formed Accounting Research Association.

INCORPORATED ACCOUNTANTS' CONFERENCE, 1937.

The Council has accepted an invitation from the Belfast District Society to hold a Conference of the Society at Belfast from Wednesday, June 23rd, to Saturday, June 26th, 1937, in which it is desired that members from all parts of Great Britain and Ireland shall participate.

SIR JAMES MARTIN MEMORIAL FUND.

The sum subscribed to the Sir James Martin Memorial Fund amounted to £3,546 16s. 9d., which has been transferred to the Trustees of the Incorporated Accountants' Benevolent Fund, to be separately invested and earmarked as "The Sir James Martin Memorial Fund." The income will be applied to the general purposes of the Benevolent Fund.

UNIT TRUSTS.

A Departmental Committee was appointed by the Board of Trade in March, 1936, "to enquire into fixed trusts in all their aspects, and to report what action, if any, is desirable in the public interest." The chairman was Sir Alan Garrett Anderson, G.B.E., M.P. Evidence was given on behalf of the Society by Mr. Henry Morgan, F.S.A.A., Past President.

The Committee reported in July, 1936. Its recommendations included provisions for the registration of all unit trusts and for the filing of detailed information, including the accounts of the trust and of the management company.

INCOME TAX CODIFICATION.

The Committee on the Codification of the Income Tax Law, appointed by the Chancellor of the Exchequer in 1927, issued its report in April, 1936, together with a draft Income Tax Bill. The Council of the Society

submitted a memorandum to the Committee in 1928, and has considered the recommendations of the report.

DESIGNATION INCORPORATED ACCOUNTANT.

Proceedings were taken in the High Court in two cases where the designation Incorporated Accountant had been used by persons who were not members of the Society. The Court granted injunctions to restrain the persons concerned from continuing their misuse of the designation.

AMERICAN INSTITUTE OF ACCOUNTANTS.

The American Institute of Accountants has extended an invitation to the Council of the Society to participate in the fiftieth anniversary celebrations of the Institute to be held in New York in October, 1937. The invitation has been accepted.

BRANCHES AND DISTRICT SOCIETIES.

The Incorporated Accountants' District Society of Manchester—the first District Society to be formed—celebrated its fiftieth anniversary on March 19th and 20th, 1936, when the President of the Society paid a visit to Manchester. The celebrations included a dinner and a ball, and a luncheon was given in honour of Mr. Frederic Walmsley, J.P., F.S.A.A., and Mr. Arthur E. Piggott, F.S.A.A., two founders of the District Society.

The opening ceremony of the Liverpool Incorporated Accountants' Hall on October 8th, 1936, was performed by the Lord Mayor of Liverpool.

The constitution of a panel of lecturers has enabled the Branches and District Societies to develop their educational work with advantage to candidates for the Society's examinations.

BRITISH DOMINIONS.

The Society was represented at the Australasian Congress on Accounting, held at Melbourne in March, 1936, by Mr. Arthur S. Baillieu, F.S.A.A., and Mr. G. S. Anderson, F.S.A.A., President and Honorary Secretary of the Victorian Division of the Society. The Council sent a message of greeting to the members of the accountancy profession in Australia.

An invitation from the Commonwealth Institute of Accountants to send representatives to its fiftieth anniversary celebrations in March, 1937, was accepted. Mr. Herbert Priestley, J.P., F.S.A.A., and Mr. W. T. Morris, F.S.A.A., Chairman and Honorary Secretary of the Society's New South Wales Committee, were present on behalf of the Society.

The Council has recorded its appreciation of the services of Mr. D. P. C. Blair, F.S.A.A., as Secretary of the South African (Northern) Branch, Johannesburg, covering a period of twenty-five years.

The Committees in the British Dominions have kept the Council advised in regard to the Society's affairs.

CONGRESS ON ACCOUNTING IN ROME.

Mr. E. Cassleton Elliott, F.S.A.A., will represent the Society at a Congress on Accounting to be held in Rome in 1937, at the invitation of the National Syndicate of Fascist Professional Accountants.

AUDIT OF FRENCH COMPANIES.

Under a recent decree of the French Government, appointment as auditor of any company which invites public subscription for its shares or bonds is confined to persons enrolled on the lists of Commissaires aux Comptes recognised by the Courts of Appeal. The appropriate action was taken in the interests of Incorporated Accountants.

INCORPORATED ACCOUNTANTS' HALL.

Mr. R. Wilson Bartlett, F.S.A.A., has presented a panel bearing the names of the Presidents of the Society since its foundation. The panel has been placed in the large hall. The Council has recorded its thanks to the President for his generous gift.

BALANCE SHEET AS AT DECEMBER 31ST, 1986.

LIABILITIES.				ASSETS.			
	£	s.	d.		£	s.	d.
5% Mortgage Debentures... ..	..	..	..	Freehold Property—Incorporated Accountants' Hall, at Cost, less amounts written off	100,000	0	0
Sundry Creditors ... ..	..	..	..	Furniture and Fittings at Cost, less amounts written off	3,774	8	10
Subscriptions and Fees received in advance ... ..	..	..	..	Library at Cost, less amounts written off	300	0	0
Reserve for Debenture Redemption—				Investments at Cost—			
Balance from 1935	10,406	12	4	£6,500 4 per cent. Funding Stock 1960-90	£5,878	7	6
Annual Instalment and Interest ...	1,689	2	4	£3,000 3½ per cent. Conversion Stock ...	2,976	5	8
			12,165 14 8	(Market Value of Investments, December 31st, 1936, £10,747 10s.) ...			8,854 13 2
Accumulated Fund—				Gifts—			
Balance at December 31st, 1935 ...	49,299	7	2	£400 Society of Incorporated Accountants and Auditors 5 per cent. Mortgage Debentures... ..	400	0	0
Surplus for 1936—				Sundry Debtors and Dividends accrued	491	19	6
General Account	3,227	19	11	Cash at Bank and in Hand	7,797	2	9
Journal Account	9	18	4				
			52,537 5 5				

AUDITORS' REPORT TO THE MEMBERS.

We report to the members that we have examined the foregoing Accounts together with the books of the Society and the vouchers relating thereto, and have verified the Investments and Cash Balances. We have obtained all the information and explanations we have required, and in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society.

ARTHUR H. HUGHES, } *Incorporated*
ALEX^r. HANNAH, } *Accountants,*
Auditors.

LONDON, March 15th, 1937.

LAW REVISION COMMITTEE.

Sixth Interim Report.

In their Sixth Interim Report the Law Revision Committee deal with the following points :—

1. Whether all or any of the following enactments should be amended or repealed :—
 Statute of Frauds, 1677, sect. 4.
 Statute of Frauds Amendment Act, 1828.
 Mercantile Law Amendment Act, 1856.
 Sale of Goods Act, 1893, sect. 4.

2. Whether and, if so, in what respect the doctrine of Consideration requires modification.

RECOMMENDATIONS.

The following is a summary of the Committee's recommendations :—

- (1) That the following enactments shall be repealed :—
 - (a) So much as remains of sect. 4 of the Statute of Frauds ;
 - (b) Sect. 3 of the Mercantile Law Amendment Act, 1856 ;
 - (c) Sect. 4 of the Sale of Goods Act, 1893.
- (2) That an agreement shall be enforceable if the promise or offer has been made in writing by the promisor or his agent, or if it be supported by valuable consideration past or present.
- (3) That an agreement to accept a lesser sum in discharge of an enforceable obligation to pay a larger sum shall be deemed to have been made for valuable consideration, but if the new agreement is not performed then the original obligation shall revive.
- (4) That an agreement in which one party makes a promise in consideration of the other party doing or

promising to do something which he is already bound to do by law, or by a contract made either with the other party or with a third party, shall be deemed to have been made for valuable consideration.

- (5) That a promise shall be enforceable by the promisee though the consideration is given by or to a third party.
- (6) That an agreement to keep an offer open for a definite period of time or until the occurrence of some specified event shall not be unenforceable by reason of the absence of consideration.
- (7) That a promise made in consideration of the promisee performing an act shall constitute a contract as soon as the promisee has entered upon performance of the act, unless the promise includes expressly or by implication a term that it can be revoked before the act has been completed.

- (8) That a promise which the promisor knows, or reasonably should know, will be relied on by the promisee shall be enforceable if the promisee has altered his position to his detriment in reliance on the promise.

- (9) That where a contract by its express terms purports to confer a benefit directly on a third party, it shall be enforceable by the third party in his own name subject to any defences that would have been valid between the contracting parties. Unless the contract otherwise provides, it may be cancelled by the mutual consent of the contracting parties at any time before the third party has adopted it either expressly or by conduct.

- (10) A life, endowment, or education policy shall be enforceable by the person for whose benefit the policy is expressed to be issued subject to such provisions for the protection of creditors as are contained in sect. 11 of the Married Women's Property Act, 1882

Society of Incorporated Accountants and Auditors.

COUNCIL MEETINGS.

A meeting of the Council was held on May 25th, when there were present Mr. R. Wilson Bartlett (President) in the chair; Mr. Walter Holman (Vice-President); Mr. F. J. Alban; Mr. R. M. Branson; Mr. J. Paterson Brodie; Mr. C. Percy Barrowcliff; Mr. W. Norman Bubb; Mr. Tom Coombs; Mr. D. E. Campbell; Mr. Arthur Collins; Mr. W. Allison Davies; Mr. E. Cassleton Elliott; Mr. M. J. Faulks; Mr. Alexander Hannah; Mr. Henry Morgan; Mr. C. Hewetson Nelson; Mr. Bertram Nelson; Mr. James Paterson; Mr. Fred A. Prior; Mr. Percy Toothill; Mr. Joseph Turner; Mr. A. H. Walkey; Mr. R. T. Warwick; Mr. Richard A. Witty; Mr. Fred Woolley; Mr. A. A. Garrett, Secretary; and Mr. L. T. Little, Deputy Secretary.

Apologies for non-attendance were received from Mr. Henry J. Burgess and Mr. Edmund Lund.

CORONATION OF THEIR MAJESTIES KING GEORGE VI AND QUEEN ELIZABETH.

The Council adopted a Loyal Address to Their Majesties King George VI and Queen Elizabeth, and submitted their dutiful felicitations upon Their Majesties' Coronation.

The President reported that he had had the honour of being present at the Coronation of Their Majesties at Westminster Abbey on May 12th.

The Council recorded that during the Coronation celebrations Incorporated Accountants' Hall was illuminated by floodlighting.

COUNCIL.

Before proceeding to the business of the meeting the President welcomed to the Council Mr. Tom Coombs, J.P., Leeds, Mr. Alexander Hannah, Liverpool, and Mr. Bertram Nelson, London, who had recently been appointed to fill occasional vacancies and who took their seats for the first time.

DEATHS.

The Secretary reported the death of each of the following members: Mr. Harry Maynard Carter (*Fellow*), East Croydon; Mr. Julian Dadd (*Associate*), Portsmouth; Mr. Henry George Haydon (*Associate*), Harrow; Mr. Arthur Edward Irons (*Associate*), Leicester; Mr. Cecil Howard Neave (*Fellow*), Hamilton, Bermuda; Mr. Frederick Arthur Partridge (*Associate*), London.

GOLD MEDAL, 1936.

At the request of the President, Mr. C. Hewetson Nelson, the Chairman of the Board of Examiners, presented to Mr. W. A. Follows the Gold Medal of the Society, awarded in connection with the examinations held in 1936.

INCORPORATED ACCOUNTANTS' CONFERENCE, BELFAST.

A report was received of progress made with the arrangements and the Council expressed the hope that a large number of members would visit Belfast and accept the official hospitality which had been offered to the Society in Belfast, and also the invitation extended by Incorporated Accountants in Belfast.

NATIONAL DEFENCE CONTRIBUTION.

The Council formally received the report of the Association of British Chambers of Commerce and other organisations which had been prepared by a Committee of which Mr. Henry Morgan, F.S.A.A., was Chairman and Mr. A. Stuart Allen, F.S.A.A., a member.

The Council expressed their cordial thanks to Mr.

Henry Morgan and Mr. Stuart Allen for their valuable work in connection with the preparation of this report.

A number of considerations arising from the Finance Bill were discussed.

PROFESSIONAL AUDITORS TO MUNICIPAL CORPORATIONS.

The attention of the Council was directed to the following announcement which had appeared in the April, 1937, issue of *Local Government Finance*, being part of the report of a recent Council Meeting of the Institute of Municipal Treasurers and Accountants:—

Appointment of Professional Auditors.

The Council considered a request which had been received from one of the accountancy bodies in reference to the advertisements which from time to time appear in connection with the appointment of professional auditors, where applicants are invited to quote the fees for which they would be prepared to undertake the work. It was felt by the body making the request that this procedure was distasteful to practising accountants and might lead to what might be regarded as unprofessional competition. The Council were requested to consider whether they could take any steps to urge members to advise their authorities to determine the fees which they were willing to offer before issuing the invitations to apply. Although the Council had considerable sympathy with the request, it was decided that, in view of the well-established policy of the Institute not to interfere in matters relating to audit, the Council could not take any action in the direction indicated.

At a second meeting of the Council held after the Annual General Meeting, the following resolutions were unanimously adopted:—

ELECTION OF PRESIDENT.

Upon the motion of Mr. C. Hewetson Nelson, seconded by Sir Thomas Keens, it was resolved unanimously that Mr. Walter Holman, London, be elected President of the Society for the ensuing year. Mr. Walter Holman acknowledged his election.

ELECTION OF VICE-PRESIDENT.

Upon the motion of Mr. E. Cassleton Elliott, seconded by Mr. Henry Morgan, it was resolved unanimously that Mr. Percy Toothill be elected Vice-President of the Society for the ensuing year. Mr. Percy Toothill thanked the Council for his election.

APPOINTMENT OF COMMITTEES.

The following Committees were elected and each Committee elected its Chairman and Vice-Chairman, as indicated hereunder:—

Disciplinary Committee (elected by ballot).—Mr. Henry Morgan (Chairman), the President, the Vice-President, Mr. R. Wilson Bartlett, Mr. H. J. Burgess, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Sir Thomas Keens, Mr. R. T. Warwick and Mr. Richard A. Witty.

Finance and General Purposes Committee.—Mr. C. Hewetson Nelson (Chairman), Mr. E. Cassleton Elliott (Vice-Chairman), the President, the Vice-President, Mr. F. J. Alban, Mr. R. Wilson Bartlett, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Sir Thomas Keens, Mr. Henry Morgan, Mr. R. T. Warwick, Mr. Richard A. Witty and Mr. Fred Woolley.

Examination and Membership Committee.—Mr. Henry Morgan (Chairman), Mr. Richard A. Witty (Vice-Chairman), the President, the Vice-President, Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. W. Allison Davies, Mr. E. Cassleton

Elliott, Mr. M. J. Faulks, Mr. Alexander Hannah, Mr. C. Hewetson Nelson, Mr. Bertram Nelson, Mr. F. A. Prior, Mr. R. T. Warwick and Mr. Fred Woolley.

Parliamentary Committee.—Sir Thomas Keens (Chairman), the President, the Vice-President, Mr. F. J. Alban, Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Mr. Alexander Hannah, Mr. Henry Morgan, Mr. C. Hewetson Nelson, Mr. Richard A. Witty.

Articles and Bye-Laws Committee.—Mr. R. T. Warwick (Chairman), the President, the Vice-President, Mr. D. E. Campbell, Mr. Tom Coombs, Mr. W. Allison Davies, Mr. M. J. Faulks, Mr. Bertram Nelson, Mr. F. A. Prior and Mr. Joseph Turner.

District Societies Committee.—Sir Thomas Keens (Chairman), the President, the Vice-President, Mr. F. J. Alban, Mr. C. Percival Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. D. E. Campbell, Mr. Tom Coombs, Mr. W. Allison Davies, Mr. Edmund Lund, Mr. Richard A. Witty and Mr. Fred Woolley.

Examiners.—Sir Josiah C. Stamp, G.C.B., G.B.E., Sc.D., LL.D., D.Sc. (Economics), Mr. W. H. Coates, Ph.D., LL.B., B.Sc. (Economics), Mr. C. Hewetson Nelson, J.P., F.S.A.A., Mr. W. Norman Bubb, F.S.A.A., Mr. Richard A. Witty, F.S.A.A., Mr. Walter Holman, F.S.A.A., Mr. Roland Burrows, K.C., Mr. E. E. Edwards, B.A., LL.B., Mr. Charles B. Milne, K.C., Mr. Denis Pringle, B.A., LL.B., Barrister-at-Law, Mr. L. R. Pears, M.A., M.Sc.

CONFERENCE OF REPRESENTATIVES OF BRANCHES AND DISTRICT SOCIETIES.

A Conference of representatives of Branches and District Societies with members of the Council was held at Incorporated Accountants' Hall on Wednesday, May 26th, when Mr. Walter Holman, President of the Society, presided, and was supported by the Vice-President, Mr. Percy Toothill. The following members were present:—Mr. F. J. Alban, C.B.E., Mr. C. P. Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Henry J. Burgess, Mr. D. E. Campbell, Mr. E. Cassleton Elliott, Mr. Alexander Hannah, Sir Thomas Keens, Mr. Henry Morgan, Mr. Bertram Nelson, Mr. James Paterson, Mr. F. A. Prior, Mr. Joseph Turner, Mr. Richard A. Witty, Mr. G. Astle, Mr. Edward Baldry, Mr. Donald H. Bates, Mr. D. Tilford Boyd, Mr. H. S. Bull, Mr. A. C. Churchill, Mr. C. M. Dolby, Mr. T. W. Dresser, Mr. J. C. Fay, Mr. M. P. Fernyhough, Mr. C. L. Hamer, Mr. Donald V. Hayden, Mr. P. A. Hayes, Mr. M. W. Hustwick, Mr. A. J. Ingram, Mr. A. Macdonald, Mr. W. T. Manning, Mr. T. O. Morgan, Mr. P. D. Pascho, Mr. Arthur E. Piggott, Mr. Halvor Piggott, Mr. John J. Potter, Mr. G. Roby Pridie, Mr. J. W. Richardson, Mr. Stanley Scotter, Mr. J. Scott-Moore, Mr. A. W. Sleeman, Mr. Henry Smith, Mr. J. E. Spoor, Major S. T. Tunbridge, Mr. E. J. Waldron, Mr. Percy H. Walker, Mr. S. I. Wallis, Mr. John Wareing, Mr. F. A. Webber, Mr. A. A. Garrett (Secretary) and Mr. L. T. Little (Deputy Secretary).

The representatives of the Branches and District Societies offered their congratulations to Mr. Walter Holman upon his election as President, and to Mr. Percy Toothill upon his election as Vice-President of the Society.

A number of questions were discussed in relation to the conduct of public practice and in regard to income tax work. The attention of the Council was called to the competition by Banks for Executorship and Income Tax

work, particularly to the announcements and the pamphlets issued by the Banks for this type of business.

The representatives brought forward questions in connection with examination and membership matters, and of organisation of students' sections of District Societies.

Mr. Richard A. Witty, Chairman of the Research Committee, spoke upon the work accomplished by this Committee, and suggested an extension of the organisation to enable members of District Societies to co-operate actively with the Research Committee in London.

At the conclusion of the proceedings Mr. Arthur E. Piggott, Manchester, moved a vote of thanks to the President for his conduct in the chair. The resolution was carried by acclamation.

Changes and Removals.

Mr. W. F. Atkinson, Incorporated Accountant, has removed his office to 24, John Street, Sunderland.

Messrs. Clements, Hakim & Co., Incorporated Accountants, have removed to St. Paul's House, 61-63, St. Paul's Churchyard, London, E.C.

Messrs. Godfrey, Laws & Co., Incorporated Accountants, Peveril House, 10, Cardiff Road, Luton, have admitted into partnership Mr. B. C. Godfrey, the son of the senior partner. The name of the firm will remain as before.

Mr. John B. Hodgkiss has commenced practice in partnership with Mr. John Spedding. The practice will be carried on under the style of Henry Steele & Co., Incorporated Accountants, at Bridge Street Chambers, 72, Bridge Street, Manchester.

Messrs. J. G. Hopkins & Co., Incorporated Accountants, have removed their offices to 60, Borough Road, Middlesbrough.

Mr. C. Neville Russell announces that, as from May 1st, 1937, he has taken into partnership Mr. J. S. Newth, F.C.A., A.S.A.A. The style of the firm will be C. Neville Russell & Co., Incorporated Accountants, and the practice will be carried on at Poultry Chambers, 11, Poultry, London, E.C.2.

Mr. B. F. Sharman intimates that Mr. G. F. H. Armon has joined him in partnership. They will practise under the style of Sharman & Armon, Incorporated Accountants, at 1, Chatham Street, Leicester.

Messrs. Sidford & Keen, Cecil Chambers, 76, Strand, London, W.C.2, have admitted Mr. J. B. Sidford, A.C.A., into partnership. The name of the firm will be unchanged.

Mr. Charles Wakeling, Incorporated Accountant, 8, Serjeants Inn, Temple, London, E.C.4, has taken into partnership Mr. Claude P. Brousson, M.A., Chartered Accountant. The firm will be known as Wakeling, Brousson & Co.

Mr. Norman Waud, Incorporated Accountant, intimates a change of address to York House, Carey Street, York.

Messrs. Wentworth Price, Gadsby & Co., 8, Windsor Place, Cardiff, announce that they have taken into partnership Mr. David J. Little, A.C.A., and Mr. George F. Dicks, A.S.A.A., who have been associated with the firm for many years, and that Mr. Clement Gadsby, F.C.A., is retiring from active practice and ceases to be a member of the firm as from April 5th, 1937. The remaining partners will carry on the practice under the same style and at the same addresses as heretofore.

Commonwealth Institute of Accountants.

Jubilee Celebrations.

The Commonwealth Institute of Accountants was incorporated in Victoria, under the title of "The Incorporated Institute of Accountants, Victoria," on March 1st, 1887. The occasion of the fiftieth anniversary was honoured in three ways (1) by the inclusion in the Jubilee Year Book of the Institute of a specially-prepared Historical Survey; (2) by the holding of the annual meeting of members of each Division in conjunction with a social function in each State of the Commonwealth on March 1st, 1937, the precise date of the anniversary; and (3) by a programme of technical and social functions in Sydney, extending from March 15th to March 19th. The Historical Survey, a production worthy of the occasion, was prepared by Mr. O. R. MacDonald, with the assistance of Mr. R. J. Oehr, Registrar of the Institute, and Mr. C. W. Andersen, Assistant Registrar.

The divisional functions on March 1st were, without exception, most successful. In each instance the meetings were attended by a large number of members and prominent public men, and a feature of the speeches in each State was the expression of appreciation by representatives of business and professional organisations of the work that has been done by the Commonwealth Institute. At each meeting, greetings were conveyed, by means of records, from the State Presidents of all other Divisions. It is significant that, although there had been no collaboration between the State Presidents in the preparation of these short speeches, they all struck the same note—that of pride in the achievements of the past, gratitude to the founders and pioneers of the Institute, and determination that the Institute should continue its efforts towards the elevation of the status of accountants, individually and collectively.

The reception accorded to the Historical Survey and the success of the Divisional meetings had strengthened the hopes that the main celebrations in Sydney would be an outstanding success and would fittingly mark the end of the first fifty years of the Institute's career of usefulness. Those hopes were fully realised. The various functions were carried through without a hitch, and the organisation of a crowded week of social and business activities reflected the utmost credit on those responsible. An immense amount of work was thrown upon the officers of the Institute and upon the members of the New South Wales Divisional Council, and one and all rose to the occasion. Particular reference should be made to the invaluable work done by the General President, Mr. H. J. Trist, F.S.A.A.

CIVIC RECEPTION.

The week's activities commenced on Monday, March 15th, when the Lord Mayor of Sydney, Alderman the Hon. Archibald Howie, M.L.C., at the Sydney Town Hall, extended a welcome to the General Councillors and visiting members from other States. He was thanked for his courtesy by the General President, Mr. H. J. Trist, and by the vice-presidents, Mr. J. S. McInnes and Mr. H. H. Cummins.

The Lord Mayor subsequently entertained the members present in the buffet room and was thanked for his hospitality.

LAYING OF WREATH ON CENOTAPH.

The General President, accompanied by General Councillors and visitors, then performed the ceremony of

laying a wreath on the Cenotaph in Martin Place, in memory of the Australian soldiers who fell in the War.

MEMBERS' LUNCHEON.

The members' luncheon, held at David Jones' Auditorium, was attended by 124 members and official guests. The attendance was adversely affected by the stormy weather, which continued throughout the day and the following day, but which was succeeded on the last three days of the celebrations by conditions much more pleasant and more characteristic of sunny New South Wales.

The General President welcomed the guests and intimated that congratulatory messages had been received from many Institutes and Societies of Accountants overseas.

Mr. J. M. Hardie, representing the Scottish Institutes of Chartered Accountants, Mr. W. T. Morris, representing the Society of Incorporated Accountants and Auditors, and Mr. B. H. Anderson, representing the London Association of Certified Accountants, congratulated the Institute on the attainment of the fiftieth anniversary of incorporation and wished it continued success.

Representatives from each State Division also conveyed the greetings and good wishes of their respective Divisions.

GENERAL COUNCIL MEETING.

The afternoon of Monday was devoted to the General Council meeting, which was continued on Tuesday, Wednesday and Thursday (mornings and afternoons) and the morning of Friday.

FIRST TECHNICAL SESSION.

On Monday evening, the first of the two technical sessions was held, when an address prepared by the Hon. E. S. Spooner, M.L.A., A.I.C.A., Minister for Works and Local Government, was submitted.

The General President, who occupied the chair, apologised for the absence of Mr. Spooner, who was prevented from attending by a family bereavement, and intimated that a letter of condolence was being sent to him. The address was read by Mr. J. S. McInnes.

Mr. Spooner's paper was entitled "State Development and its relation to Loan Expenditure." Its purpose was to examine three issues that vitally concern the future of New South Wales, namely:—

- (a) Assuming that it is right for New South Wales to be developed, how will it best achieve such development?
- (b) Is it possible to finance development without the reasonable expenditure of loan funds?
- (c) What measure of development have we secured to compensate the State for the Public Debt incurred to date?

Mr. Spooner said that reasonable borrowing for the development of the State was not an unsound policy, provided that the development was so co-ordinated as to make the expenditure productive, and provided that the borrowing was covered by systematic repayment from revenue.

The Public Debt of the State was approximately £412,000,000, equal to £154 *per capita*. The annual repayments of principal, including £2,800,000 contributions to Sinking Funds, were approximately £4,000,000. No substantial sum was available from Revenue for developmental expenditure. If there were surpluses in the State accounts to-day, after fairly providing for social services and interest commitments, the taxpayer would demand reductions in taxation and he would be reasonably entitled to reductions.

He denied that the loan expenditure of recent years

had unduly increased the public debt proper. In 81 years, loan expenditure had been practically equal to the total taxes collected and one-quarter of the receipts from all sources. To have paid for all developmental works out of revenue, taxation would have had to be doubled or else all governmental charges, including taxation, raised by at least 25 per cent.

He concluded by summarising the arguments in his paper as follows :—

- (a) The development of New South Wales depends very largely upon the judicious expenditure of carefully controlled borrowings.
- (b) The funds required for development cannot be provided from taxation, and, indeed, it would be unjust to present-day taxpayers if this were attempted.
- (c) Present borrowings are much lighter than in pre-depression years.
- (d) The public debt is well regulated under the Financial Agreement between the Commonwealth and the States.
- (e) The wise expenditure of loan moneys upon State development is closely associated with any policy that may be evolved for the national development of Australia and, in particular, of the State of New South Wales.

Mr. A. A. Fitzgerald, of Melbourne, in moving a vote of thanks to Mr. Spooner for his address, said that, in criticising public loan expenditure, it was necessary to take into account not only its financial and economic aspects, but also its social aspects. A classic illustration of that was provided by Great Britain, which had now been forced into the position of having largely to increase the non-productive debt for expenditure on armaments, as a matter of pure social necessity. He agreed with Mr. Spooner that it would not be possible, in a new country such as Australia, to finance necessary development without resort to loans. It was extremely difficult, if not impossible, to measure the extent of the indirect benefits of public loan expenditure, but a vital necessity was the development of some machinery whereby loan expenditure might be intelligently controlled. The setting up of Economic Councils, on which both economists and accountants should be represented, in order to examine the financial and economic aspects of all proposals for loan expenditure, offered the best possibility of ensuring that unwise projects would not be light-heartedly entered upon. He thought that the Financial Agreement between the Commonwealth and the States was open to serious objection as a means, in itself, of regulating loan policy. It was questionable whether it was wise, or even practicable, for a new country to pay off its public debt in 58 years, and the difficulty of doing so was emphasised by the experience in Australia in recent years. New South Wales, for example, as shown by Mr. Spooner's paper, had paid into the Sinking Fund £30,000,000 during a period in which her deficits on Consolidated Revenue amounted to £37,000,000. He questioned whether it could properly be said that the public debt was well regulated when the State had to borrow to make contributions to the National Debt Sinking Fund. Another question that had not so far been satisfactorily investigated was the relationship between the Sinking Fund and the depreciation of some of the assets on which loan moneys had been spent. In this connection, he referred appreciatively to the excellent system of accounts in operation in certain of the public departments in South Australia, and expressed the hope that similar systems would be adopted in the other States.

The vote was supported by Mr. G. F. Offner, of Brisbane,

who also questioned whether the borrowing policy of the States could be truly said to be "well regulated." From the point of view of the accountant, it was not so important a matter that a loan was needed as it was to see how the loan was expended. In Queensland there had been many instances of unproductive expenditure. It would be interesting if balance-sheets of the States could be prepared, showing the assets as well as the loan liability, but he suspected there would be a great deal of intangible assets.

Mr. A. Clunies Ross, of Sydney, drew attention to the restraining influence of the Commonwealth Bank Board in connection with loan proposals. In the New South Wales public accounts there were many balance-sheets, some of which contained as assets figures relating to activities which had been discontinued many years ago. As to the relationship between the Sinking Fund contributions and the depreciation of the assets, he doubted whether there was any direct relation.

The vote was carried with acclamation, and the General President announced that the thanks of the meeting would be conveyed to Mr. Spooner for the time and thought he had given to the preparation of the paper.

PRESIDENT'S RECEPTION AND DANCE.

On Tuesday evening about 200 guests were received at "The Wentworth" by the General President, Mr. H. J. Trist, who was assisted by Mrs. Trist. The dance was thoroughly enjoyed by all present, and a high-light of the night was the introduction, at midnight, of a huge ice-cream cake, surmounted by fifty candles, and bearing the inscription "1887-1937." On the cutting of the cake by Mrs. Trist, the toast of "The Institute" was honoured.

JUBILEE BANQUET.

The principal social event of the week was the Jubilee banquet held at the Australia Hotel on Wednesday, March 17th. A distinguished gathering included His Excellency the Lieutenant-Governor of New South Wales, the Hon. Sir Philip Whistler Street, K.C.M.G., the Right Hon. W. M. Hughes (Federal Minister for Health), Sir Daniel Levy (Speaker of the Legislative Assembly of New South Wales), the Hon. D. H. Drummond (Minister for Education, N.S.W.), the Lord Mayor of Sydney (Alderman the Hon. Archibald Howie, M.L.C.), Dr. R. S. Wallace (Vice-Chancellor of the University of Sydney), Mr. Justice R. H. Long Innes (Chief Judge in Equity), representatives of the Sydney Chamber of Commerce, the Chamber of Manufacturers of New South Wales, the Employers' Federation of New South Wales, and leading public officials. Kindred societies represented were The Society of Incorporated Accountants and Auditors, The Federal Institute of Accountants, The Australasian Institute of Cost Accountants, the Association of Accountants of Australia, and the London Association of Certified Accountants.

The toast list was as follows :—

"His Majesty the King": Proposed by the President, and responded to by His Excellency the Lieutenant-Governor of New South Wales, the Hon. Sir Philip Whistler Street, K.C.M.G.

"The Commonwealth Institute of Accountants": Proposed by His Excellency the Lieutenant-Governor, and responded to by the President.

"Commonwealth and State Parliaments": Proposed by Mr. J. S. McInnes, and responded to by the Right Hon. W. M. Hughes and the Hon. D. H. Drummond.

"The City of Sydney": Proposed by Mr. H. H. Cummins, and responded to by the Lord Mayor.

"Commerce and Industry": Proposed by Mr. A. A. Fitzgerald, and responded to by Mr. V. G. Watson, Treasurer, Sydney Chamber of Commerce, and Mr. James Henry, Vice-President, Chamber of Manufactures of New South Wales.

"The Guests": Proposed by Colonel M. F. Beevor, and responded to by Sir Daniel Levy and Mr. Justice R. H. Long Innes.

The lengthy toast list made it unavoidable that the proceedings should be carried on till a very late hour, but the quality of the speeches was such that interest was sustained throughout. The speeches will appear in full in the Jubilee Proceedings, which are to be published by the Institute. The subjects touched upon by the various speakers included the position of accountants in commerce and public finance, the public debt of Australia and the States, the possibility of the collection of statistics relating to specific industries and to commerce in general, the assistance rendered by accountancy institutes to the legislatures, business education and business research.

SECOND TECHNICAL SESSION.

The second technical session was held on Thursday, March 18th, when Mr. A. C. Davidson, A.I.C.A., General Manager of the Bank of New South Wales, delivered an address to a large audience on "The Foreign Exchanges."

The chair was taken on this occasion by Mr. H. H. Cummins, of Hobart, a vice-president of the Institute, who, in introducing Mr. Davidson, said that the meeting was fortunate in having such a complex subject dealt with by one who had the practical handling of the problems involved.

Mr. Davidson said that foreign exchange was one of the most intricate of the subjects that came within the range of banking to-day. He thought it would be wise to deal with the development of the exchanges, leading up to the great changes that have taken place recently, in order more especially to assist the younger members of the Institute. In that respect the Institute performed a very important function in the community, because it did not confine its teaching and training to those who intended to become professional accountants, but extended its activities to those who were going into the commercial and business life of the community. Rapid changes were taking place in the financial system, analogous to those which were occurring in the scientific world. We were so accustomed to spectacular changes, however, that we were apt to overlook the fact that changes as startling as those taking place in the scientific world were taking place in the banking system. One illustration of the changes was the development of central banking, concerning which there was only one text-book in existence, the last edition of which was published in 1932, but which was already quite out of date. The history of foreign exchanges in modern times was divisible into three periods—the period before the development of the gold standard, the gold standard period, and the period since the gold standard.

It was not until 1816 that the sovereign, which so many people think of as a sacrosanct coin, was actually devised and made legal. England thus went on to gold as a standard in the early part of the last century. During the greater part of that century most of the rest of the world was not on gold. Germany, for example, was on a silver basis until after the Franco-Prussian war. The international gold standard was, in fact, in operation only for the short period of forty years, and during that time London was the only free international market for gold. Thus it was quite wrong to assume, as was done by many who were

brought up while the gold standard was in operation, that the gold standard had been in existence from time immemorial. The gold standard was discarded in 1914, and after the War there was an attempt, led by Great Britain, to bring the world back to gold. Great Britain actually maintained her position on the gold standard, with free movement of gold, from 1925 to 1931, but at very considerable cost to herself. Certain countries tried to remain on gold after she had again departed from it, but in the second half of last year they had to abandon the attempt.

All important currencies are now "managed"—the most "managed" being that of Germany, which still professed to be on gold. But it was a mistake to think of the change over from the gold standard days to the present system of paper currencies as a change from automatism to management. It was, more correctly, a change from a limited or restricted control to an opportunity of efficient management. The cardinal difference between the gold standard and the "managed" currency was that the managed currency was directed towards maintenance of the internal stability of a country, regardless of exchange movements, whereas under the gold standard the exchange movements were the supreme factor, and very often internal stability had to be sacrificed, more or less, to readjustments of exchange movements. The principal limitation on the possibility of maintenance of balance in the internal economy by managed exchanges was probably the consideration of the preservation of confidence in the currency. Probably the easiest way to destroy that confidence was by excessive governmental spending—a position which might easily arise. The important economic objective was the necessity to expand trade and so improve the conditions of all communities. It was fairly generally agreed among the authorities to-day that it was very doubtful whether rigid exchange rates would increase the volume of international trade. He thought that emphasis should be placed on a policy of flexibility in the exchanges rather than rigidity, for the reason that international relations were dependent, in the last resort, on the state of home industry in each country, and it was therefore important to maintain economic stability in each country.

Since the abandonment of the gold standard it had become necessary to devise some means of preventing the violent changes in exchange rates which were the natural result of violent transfers of capital from one financial centre to another. The problem had been met by the establishment of Exchange Equalisation (or Stabilisation) Funds—a method quite different from the clumsy method of gold movements. Great Britain had been able to operate the system in a most successful manner. More difficulty had been experienced in U.S.A., for the reason that when the U.S.A. fund was established early in 1934, the Government provided it with gold but no currency, and it was very soon found that gold alone was a very serious embarrassment. The Exchange Funds are the result of very close collaboration between the Central Bank and the Government, and in no other way could they be successful. In a country like Great Britain, where the Central Bank has been in existence for a long time and there had been built up a strong and well-rooted tradition, the position was quite secure. The Funds were instituted to prevent sudden fluctuations in exchange rates of an uncomfortable order, not to peg exchange rates permanently at a fixed figure. Their function was to buy and hold foreign currencies in such a way as to neutralise violent fluctuations in the rates, and, incidentally, to discourage speculation. The management of the Funds was a matter of extreme difficulty and com-

plexity, and a very high order of experience and technique was required. The important point was that, whenever the British Exchange account bought foreign currencies it at once exchanged them for gold at the Central Bank, or with the Exchange Fund of the country in question. The Exchange Funds of other countries followed the same procedure, so that in practice each Exchange Fund dealt solely in its own currency against gold. The Exchange Fund had thus to carry an adequate stock both of its own currency and gold.

The establishment of the two large and important Exchange Funds in London and New York had led to Great Britain becoming the centre and leader of a great group of nations which were known now as the Sterling Area. This international agreement marked a considerable step forward in that it brought about the opportunity of co-operation between several nations in dealing with their exchanges. It would not be surprising if this were the final development required to make it unnecessary, or even impossible, to return to the gold standard at any future time. Since the international agreement, the exchanges had been kept stable. The Funds, however, needed very careful handling.

Would the international agreement bring about the greatly desired revival of international trade? Reasonable currency stability was an important and necessary factor for such a revival, but there was little likelihood of any real progress until the crippling influence of exchange restrictions and quotas was removed. Another danger lay in the relationship between Central Banks and governments and the desirability of explanation between governments of any action that might be required or taken. Political significance might be attached to any monetary agreement, and government intervention might be an obstacle to action which a Central Bank might desire to take to forestall changes in the economic position. The need for the utmost secrecy in the operation of the Exchange Funds was obvious. That meant that one of the great protections that we had been taught to look to in democratic countries, namely, publicity, could not be availed of.

So far as Australia was concerned, it was a matter of great interest and satisfaction that the traditional exchange policy followed in Australia had been a managed exchange, much on the lines of that recently adopted in Europe. In spite of the marked seasonal fluctuations, and of the fact that the Australian system had had to break one of the fundamental rules of exchange management by holding large balances outside the country, the exchange rates had been held steady, apart from some small changes. There had been only one occasion on which there had been a violent change in the Australian exchange rate and that had been due to outside circumstances.

Under the new system, the British Equalisation Fund had been used to support and help a foreign currency. Might not, in future years, that Fund be used to help and support the currencies of the Dominions whenever necessary?

Mr. A. A. Fitzgerald, in moving a vote of thanks to Mr. Davidson for his address, paid a tribute to the speaker for the facility with which he had dealt with a most intricate subject. Mr. Davidson was in the forefront of those responsible for the taking of the steps which brought about stability of the internal price level in Australia during the depression. His lecture had been an interesting commentary on the views of those who were already commencing to talk of the need for a reduction in the Anglo-Australian exchange rate. Mr. Davidson had spoken of the change from a limited degree of manage-

ment to a greater degree of management. The question naturally arose, who was to do that management—with what weapons and with the aid of what information? The Commonwealth Bank, as a Central Bank, would need all the information it could gather to enable it to perform its functions; it would need the support and sympathy of every thinking man in the community, and, above all, it must be kept free from any suspicion that it was the plaything of politics.

Mr. J. A. L. Gunn, in supporting the motion, said that Mr. Davidson was the man who saved Australia from the most dire possibilities when the depression hit her like a hurricane. He had played the foremost part in bringing about the movement in the Anglo-Australian exchange rate and thus avoiding the inevitable results of the alternative of deflation, namely, wholesale bankruptcies and unemployment.

Mr. A. Clunies Ross also expressed his appreciation of the address. He referred to the suggestion made by Professor Leacock that it would be a useful and economical step if, instead of going to all the effort of mining gold to be earmarked in vaults, the gold should be earmarked before it was mined.

The Chairman conveyed to Mr. Davidson the thanks of the meeting and, in reply, Mr. Davidson said that the difficulty he had in dealing with Mr. Clunies Ross's comment was that he was entirely in agreement with it. If they had not reached that stage already, they had got very close to being in the humorous position of digging gold out of one part of the earth's surface to bury it in another. But in all human knowledge there was nothing better than gold into which the Equalisation Funds could convert any foreign currency they might hold. The essential point was that the Fund must not itself take up an exposed position in any foreign currency, therefore it must convert that currency into the thing that had the least disadvantages that it could find—and that was gold. Concluding, Mr. Davidson referred again to the great assistance given by the Commonwealth Institute to the commercial community by its work amongst the younger members. In the institution which he served the young officers were encouraged to study accountancy, and many of them did so under the aegis of the Institute. He had done so himself. He wished the Institute, its members and students, all success and prosperity.

SPORTS AFTERNOON.

The week's festivities concluded on Friday afternoon with a Sports Afternoon, in ideal weather conditions. At "The Lakes" Golf Club a Stapleford competition was conducted. There were thirty-five competitors, and the winners, Mr. H. P. Ogilvie, of Melbourne, and Mr. N. B. Lewis, of Sydney, were presented with silver cups, engraved "Commonwealth Institute of Accountants—Jubilee, 1937."

At Moore Park, a tennis tournament was won by Mr. L. W. Chant, of Sydney, and Mr. F. S. S. Scorer, of Newcastle.

At the conclusion of the sports events, the golf and tennis players were entertained by the Institute at a farewell reunion at "The Lakes" Golf Club, when the wives of General and State Councillors and visiting members also participated, and a series of toasts, enthusiastically honoured, brought to a fitting conclusion a memorable week.

A committee of ladies, comprising wives of New South Wales Divisional Councillors, was formed for the express purpose of arranging for the entertainment of the ladies who accompanied members from other States.

Society of Incorporated Accountants in Ireland

ANNUAL MEETING.

The thirty-fourth annual general meeting was held at Dublin on May 7th. The President, Mr. A. H. Walkey, occupied the chair, and there were also present Mr. J. A. Kinnear, Mr. R. J. Kidney, Mr. R. L. Reid, Mr. A. J. Magennis, M.Sc., Mr. J. G. O'Callaghan, B.Com., Mr. J. Love, and Mr. A. J. Walkey (Hon. Secretary).

The report and accounts for year ended March 31st, 1937, were laid before the meeting, and were unanimously adopted.

The retiring members of the Council, Mr. A. H. Walkey, Mr. J. D. Thompson, Mr. W. L. White, and Mr. R. L. Reid were unanimously re-elected; also the Hon. Auditor, Mr. T. Condren Flinn, F.S.A.A., F.C.A.

A vote of thanks to the President terminated the proceedings.

At a Council meeting held subsequently the officers for 1937-38 were elected as follows:—President, Mr. J. D. Thompson, Belfast; Vice-President, Mr. R. L. Reid, Dublin; the Hon. Secretary, Mr. A. J. Walkey, and the Hon. Treasurer, Mr. R. L. Reid, were both re-elected.

In accordance with the suggestion made some time ago it was agreed that the changes in the offices of President and Vice-President should be deferred until after the Belfast Conference had taken place.

Annual Report

The Council presents to the members its thirty-fourth annual report for year ended March 31st, 1937.

MEMBERSHIP.

The total number of members in Ireland on March 31st was 193, consisting of 50 Fellows, and 143 Associates. There were also 213 Students. This is an increase, as compared with the membership at March 31st, 1936, of 7 qualified members, and 10 students.

OBITUARY.

We regret to report the deaths of Mr. James A. Caulfield, Dublin, and Mr. W. E. MacLatchy, Belfast.

EXAMINATIONS.

The number of candidates who presented themselves for examination at the Dublin and Belfast Centres in May and November, 1936, was 99, as compared with 101 in the previous year. The results were as follows:

	Total.	Passed.
Final	19	8
Intermediate	51	18
Preliminary	29	14
	<u>99</u>	<u>40</u>

It is very pleasing to be able to place on record that at the November 1936 examinations, our candidates in all three grades of examinations were to be found in the Honours List, as follows: Mr. J. I. Fitzpatrick, seventh place in the Final examination; Mr. J. J. Curran, ninth place in the Intermediate examination; Mr. A. P. Carey, first place and prize in the Preliminary examination.

MEETINGS.

There were nine meetings of students and discussions held in Dublin, and also nine in Belfast. The Belfast students had the honour of a lecture from the President of the Society, Mr. R. Wilson Bartlett. Mr. W. Bertram Nelson and Mr. C. M. Dolby (both of Liverpool) addressed meetings in Dublin and Belfast.

The Annual Dinner of the Irish Branch took place in Dublin on October 29th, 1936, Mr. A. H. Walkey presiding. The guests included the Lord Mayor of Dublin, Mr. Justice Meredith, and Mr. R. Wilson Bartlett (President of the Society of Incorporated Accountants and Auditors).

The Dublin Students' Society, in conjunction with the Irish Branch, held a very successful dance at the Gresham Hotel on November 19th, 1936. The Belfast Students' Section held their dance on January 15th, 1937.

FORTHCOMING CONFERENCE.

The Council of the Parent Society has accepted the invitation of the Belfast and District Society, to hold a Conference in Belfast from June 23rd to 26th next, and the Council relies on the support of a very large number of our Irish members by their presence at the various meetings and other functions.

COUNCIL.

The following members of the Council retire by rotation, and being eligible, offer themselves for re-election: Mr. A. H. Walkey, Mr. J. D. Thompson, Mr. W. L. White, and Mr. R. L. Reid.

Society of Incorporated Accountants and Auditors.

South African (Northern) Branch.

ANNUAL MEETING.

The fourteenth annual meeting of the South African (Northern) Branch was held at Johannesburg on February 16th. Mr. F. C. McConnell (Chairman of the Branch), proposing the adoption of the report and accounts for the year 1936, said there was an excess of expenditure over income for the year under review amounting to £63 4s. 2d. At first sight this might appear an unsatisfactory feature, but the expenditure side contained two items of a non-recurring nature, namely, contribution to the Sir James Martin Fund, £26 5s., and Secretary's honorarium, on completing 25 years' service, £52 10s. Allowing for these, the result of the year's working would have shown a small surplus.

During the year 11 new members were admitted. Eighteen sets of articles were registered, making a total of 107 clerks serving articles at December 31st, 1936.

No further steps had been taken by the Government in regard to the Report of the Accountancy Commission providing for the registration of the profession throughout the Union.

During the past year the Company Commission had issued their Report and recommendations for the amendment of the South African Companies Act, and a Bill giving effect to the Commission's recommendations was being considered by the House. Important amendments to South African Company Law were proposed in the Bill, and if the provisions were enacted it should strengthen the administration.

An Incorporated Accountants' Golf Competition was held in June, when Sir Llewellyn Andersson very generously presented a Challenge Cup for competition. The event was so successful that it was decided to make it an annual fixture. The thanks of the Society were due to Sir Llewellyn Andersson for his generous gift, and to Mr. Maldwyn Edmund, who also provided a prize.

In conclusion, he wished to express his thanks to his colleagues on the Committee, who had given him unstinted support during his year of office.

Mr. E. C. Lowe seconded the motion, which was carried unanimously.

The following were re-elected members of the Committee:—Mr. Alexander Aiken, LL.D., Mr. Melt van der Spuy Dreyer, Mr. A. L. Palmer, Mr. E. C. Lowe, Mr. S. R. Barnes, Mr. F. C. McConnell, Mr. J. Stewart, and Mr. V. L. Andersson.

Mr. A. B. Ryan was re-appointed Auditor of the Branch.

FINANCE BILL.

The following are the provisions of the Finance Bill in so far as they relate to Income Tax and National Defence Contribution:—

PART II.

Income Tax.

8.—(1) Income tax for the year 1937-38 shall be charged at the standard rate of five shillings in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, at such higher rates in respect of the excess over two thousand pounds as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the income tax charged for the year 1936-37 shall have effect with respect to the income tax charged for the year 1937-38.

HIGHER RATES OF INCOME TAX FOR 1936-37.

9. Income tax for the year 1936-37 in respect of the excess of the total income of an individual over two thousand pounds shall be charged at rates in the pound which respectively exceed the standard rate by amounts equal to the amounts by which the rates at which income tax was charged in respect of the said excess for the year 1935-36 respectively exceeded the standard rate for that year.

PREVENTION OF AVOIDANCE OF TAX BY CERTAIN TRANSACTIONS IN SECURITIES.

10.—(1) Where the owner of any securities (in this and the next following subsection referred to as "the owner") agrees to sell or transfer those securities, and by the same or any collateral agreement—

- (a) agrees to buy back or re-acquire the securities; or
- (b) acquires an option, which he subsequently exercises, to buy back or re-acquire the securities;

then, if the result of the transaction is that any interest becoming payable in respect of the securities is receivable otherwise than by the owner, the following provisions shall have effect—

- (i) the interest payable as aforesaid shall, whether it would or would not have been chargeable to tax apart from the provisions of this section, be deemed for all the purposes of the Income Tax Acts to be the income of the owner and not to be the income of any other person; and
- (ii) if the securities are of such a character that the interest payable in respect thereof may be paid without deduction of tax, the owner shall be chargeable to tax at the standard rate under Case VI of Schedule D in respect of the interest which is deemed to be his income as aforesaid, unless he shows that it has borne tax at the standard rate.

(2) The references in the last foregoing subsection to buying back or re-acquiring the securities shall be deemed to include references to buying or acquiring similar securities, so, however, that where similar securities are bought or acquired, the owner shall be under no greater liability to tax than he would have been under if the original securities had been bought back or re-acquired.

(3) Where any person carrying on a trade which consists wholly or partly in dealing in securities agrees to buy or acquire any securities, and by the same or any collateral agreement—

- (a) agrees to sell back or re-transfer the securities; or
- (b) acquires an option, which he subsequently exercises, to sell back or re-transfer the securities;

then, if the result of the transaction is that any interest becoming payable in respect of the securities is receivable by him, no account shall be taken of the transaction in computing for any of the purposes of the Income Tax Acts the profits arising from or loss sustained in the trade.

(4) The last foregoing subsection shall have effect, subject to any necessary modifications, as if references to selling back or re-transferring the securities included references to selling or transferring similar securities.

(5) This section shall not apply to any transaction where the relevant agreements were made before the sixth day of April, nineteen hundred and thirty-seven.

(6) For the purpose of this section—

- (a) the expression "interest" includes a dividend;
- (b) the expression "securities" includes stocks and shares;

(c) securities shall be deemed to be similar if they entitle their holders to the same rights against the same persons as to capital and interest and the same remedies for the enforcement of those rights, notwithstanding any difference in the total nominal amounts of the respective securities or in the form in which they are held or the manner in which they can be transferred.

(7) The Commissioners of Inland Revenue may by notice in writing require any person to furnish them within such time as they may direct (not being less than twenty-eight days), in respect of all securities of which he was the owner at any time during the period specified in the notice, such particulars as they consider necessary for the purposes of this section and for the purpose of discovering whether tax has been borne in respect of the interest on all those securities, and, if that person without reasonable excuse fails to comply with the notice, he shall be liable to a penalty not exceeding fifty pounds and after judgment has been given for that penalty to a further penalty of the like amount during every day on which the failure continues.

11.—(1) Notwithstanding anything in subsection (6) of sect. 21 of the Finance Act, 1922, a company which is deemed for the purposes of that subsection to be under the control of not more than five persons shall not be deemed to be a subsidiary company, unless it can be deemed to be under the control of not more than five persons only by including among the persons mentioned in paragraph (a), (b) or (c) of subsection (1) of sect. 19 of the Finance Act, 1936, or in subsection (3) of sect. 20 of that Act, a company to which the provisions of the said sect. 21 do not apply and which is not the nominee of any other person.

(2) In the case of a company to which sect. 21 of the Finance Act, 1922, applies, being an investment company, the following provisions shall have effect:—

(a) the Special Commissioners may, if they think fit, give a direction under subsection (1) of that section if it appears to them that the company has not within any year of assessment distributed to its members, in such manner as to render the amount distributed liable to be included in the statements to be made by the members of the company of their total income for the purposes of surtax, a reasonable part of its actual income from all sources for that year;

(b) in determining for the purpose of this subsection whether the company has or has not distributed as aforesaid a reasonable part of its actual income from all sources for any year of assessment, the Special Commissioners shall deem all the said income

to have become available for distribution as soon as it became due and payable to the company ;

- (c) where an order has been made or a resolution passed for the winding up of the company, the Special Commissioners may, if they think fit, treat either of the following periods, that is to say—

(i) the period from the end of the last year or other period for which accounts of the company have been made up to the date of the order or resolution ; or

(ii) the period from the end of the last year of assessment to the date of the order or resolution ; as if it were a year of assessment for the purposes of this subsection ;

- (d) for the purposes of this subsection, the provisions of sect. 21 of the Finance Act, 1922, and any other enactment relating thereto shall apply as if a year of assessment, or a period which by virtue of this subsection is treated as a year of assessment, were a year or period for which accounts of the company have been made up, but subject to the modifications set out in the Third Schedule to this Act.

(3) Where a direction is given under subsection (1) of section twenty-one of the Finance Act, 1922, with respect to an investment company, the Special Commissioners, in determining the respective interests of the members for the purpose of apportioning income in accordance therewith under paragraph 8 of the First Schedule to that Act, may, if they think fit, attribute to each member an interest corresponding to his interest in the assets of the company available for distribution among the members in the event of a winding up.

(4) In this section and in any other provisions of this or any other Act relating to section twenty-one of the Finance Act, 1922, the expression "investment company" shall have the same meaning as in section twenty of the Finance Act, 1936, and any references to the date of the order or resolution for the winding up of a company shall be construed—

(a) in the case of a company within the meaning of the Companies Act, 1929, or the Companies Act (Northern Ireland), 1932, as references to the time of the commencement of the winding up ; and

(b) in the case of any other body corporate, as references to the time of the making of the order, or of the passing of the resolution, or of the signing of the instrument, or of the making of the application, or of the doing of the act, as the case may be, which initiates the winding up of the body corporate.

(5) The provisions of this section shall have effect for the purposes of assessment to surtax for the year 1935-36 and subsequent years :

Provided that the provisions of subsection (2) of this section shall not have effect for the purposes of assessment to surtax for the year 1935-36 in relation to any company which made up accounts for a period ending in that year.

ALLOWANCE FOR DEPRECIATION OF MILLS, FACTORIES, &c.

12.—(1) In computing for any year of assessment the amount of profits or gains arising or accruing from any trade the profits of which are chargeable to tax under Case I of Schedule D, there shall be allowed a deduction of an amount hereafter provided in respect of the depreciation of any premises being mills, factories or other similar premises, wherever situate, which, during the period of computation, are owned by the person carrying on the trade and occupied by him for the purposes thereof.

(2) Where the premises—

- (a) are assessable to tax under No. I of Schedule A ; and

- (b) do not consist of or comprise electricity works or brickworks ;

the amount of the deduction to be allowed under this section shall be an amount equal to the repairs allowance of the premises, or an amount equal to the appropriate fraction of the rating value of the premises, whichever is the less ; and for the purposes of this subsection the appropriate fraction of the rating value shall be taken to be, in the case of premises situate in the administrative county of London or in Scotland, one-sixth, and, in the case of other premises, one-fifth, of the rating value.

(3) Where the premises—

- (a) are not assessable to tax under No. I of Schedule A ; or

- (b) consist of or comprise electricity works or brickworks ;

the amount of the deduction to be allowed under this section shall be an amount equal to one per cent. of the actual cost to the person carrying on the trade of any building which forms part of the premises and contains, and is used wholly or mainly for the purpose of operating, machinery worked by steam, electricity, water or other mechanical power :

Provided that no non-rateable machinery within the meaning of section twenty-two of the Finance Act, 1936, shall be deemed to form part of a building for the purpose of this subsection.

(4) Where the period of computation is less than twelve months, or the premises are not owned by the person carrying on the trade and occupied by him for the purposes thereof for the whole of the period of computation, the deduction to be allowed under the foregoing provisions of this section shall be proportionately reduced ; and where in the course of the period of computation there has been any alteration of the premises, or of the repairs allowance or rating value thereof, the amount of the deduction to be allowed under this section shall be the aggregate of the amounts of the deductions which would have been allowable thereunder if each part of the period of computation, before and after the alteration, had itself been a period of computation.

(5) For the purpose of this section—

(a) the expression "electricity works" means any building in which electrical energy is generated, converted or transformed for supply by way of trade or for lighting any street, public place or public building ;

(b) the expression "period of computation," in relation to any trade, means the period by reference to the profits or gains of which the profits or gains arising or accruing from the trade are to be computed for the year of assessment in question ;

(c) the expression "rating value" in relation to any premises, means—

(i) in the case of premises situate in England outside the administrative county of London, the net annual value of the premises as appearing in the valuation list for the time being in force under the Rating and Valuation Act, 1925 ;

(ii) in the case of premises situate in the administrative county of London, the gross value of the premises as appearing in the valuation list for the time being in force under the Valuation (Metropolis) Act, 1869 ;

(iii) in the case of premises situate in Scotland, the gross annual value of the premises as appearing in the valuation roll for the time being in force under the Rating (Scotland) Act, 1926 ;

(iv) in the case of premises situate in Northern Ireland, the net annual value of the premises as shown in the valuation lists for the time being in

force under the Valuation Acts (Northern Ireland), 1852 to 1932, or in any provisional or revised valuation for the time being in force by virtue of any enactment pending the annual revision of valuation under the said Acts ;

(d) the expression "repairs allowance," in relation to any premises, means the reduction authorised in respect of the premises for the purposes of Rule 7 of No. V of Schedule A.

(6) The proviso to paragraph (2) of Rule 5 of the rules applicable to Cases I and II of Schedule D, and section eighteen of the Finance Act, 1919, shall cease to have effect.

CONTINUANCE OF ALLOWANCE FOR REPAIRS.

13.—(1) Section twenty-eight of the Finance Act, 1923 (which relates to the allowance for repairs and which was continued in force by section twenty-four of the Finance Act, 1935, until the fifth day of April, nineteen hundred and thirty-seven) shall continue in force until the fifth day of April, nineteen hundred and forty-two.

(2) This section shall be deemed to have had effect as from the sixth day of April, nineteen hundred and thirty-seven.

AMENDMENT AS TO ALLOWANCE IN RESPECT OF EARNED INCOME OF WIVES.

14. For the purposes of subsection (2) of section eighteen of the Finance Act, 1920 (which provides for an increased personal allowance to a claimant whose total income includes earned income of his wife) any earned income of the claimant's wife arising in respect of any pension, superannuation or other allowance, deferred pay, or compensation for loss of office, given in respect of his past services in any office or employment of profit, shall be deemed not to be earned income of his wife.

PART III.

National Defence Contribution.

CHARGE OF NATIONAL DEFENCE CONTRIBUTION.

15.—(1) There shall be charged, on the amount by which the profits arising in any chargeable accounting period from any trade or business to which this Part of this Act applies exceed the standard profits, a tax (to be called the "national defence contribution") of an amount calculated—

- (a) in the case of a trade or business carried on by a body corporate, in accordance with the provisions of Part I of the Fourth Schedule to this Act ; and
- (b) in the case of any other trade or business, in accordance with the provisions of Part II of that Schedule :

Provided that, where the profits arising in any such period from any such trade or business are less than the marginal amount as hereafter defined, then for the purpose of this subsection there shall, subject as hereafter provided, be deducted from the profits so arising a sum (in this Part of this Act referred to as "the appropriate abatement") equal to one-fifth of the difference between the amount of the profits and the marginal amount.

(2) For the purpose of this Part of this Act—

- (a) the accounting periods of a trade or business shall be determined in accordance with the provisions of Part I of the Fifth Schedule to this Act ;
- (b) the expression "chargeable accounting period" means any period determined as aforesaid ending after the fifth day of April, nineteen hundred and thirty-seven :

Provided that where any such period began before the first day of January, nineteen hundred and thirty-seven, such part only of that period as commenced on that date shall be treated as a chargeable accounting period ;

(c) the profits or losses arising from a trade or business in any chargeable accounting period, or in any other period for which they require to be determined under this Part of this Act, shall be computed in accordance with the provisions of Parts II and III of the Fifth Schedule to this Act ;

(d) the expression "abated profits," in relation to any trade or business and any chargeable accounting period, means the profits computed as aforesaid arising from that trade or business in that period less, in a case where those profits fall short of the marginal amount, the appropriate abatement ;

(e) the expression "chargeable profits," in relation to any trade or business and any chargeable accounting period, means the amount by which the abated profits arising from that trade or business in that period exceed the standard profits ;

(f) the expression "marginal amount" means a sum of twelve thousand pounds or, in relation to a chargeable accounting period of less than twelve months, a sum which bears the same proportion to twelve thousand pounds as the length of the period bears to twelve months.

TRADES AND BUSINESSES TO WHICH PART III APPLIES.

16.—(1) The trades and businesses to which this Part of this Act applies are all trades or businesses of any description carried on in the United Kingdom, or carried on, whether personally or through an agent, by persons ordinarily resident in the United Kingdom :

Provided that the carrying on of a profession by an individual or by individuals in partnership shall not be deemed to be the carrying on of a trade or business to which this Part of this Act applies if the profits of the profession are dependent wholly or mainly on his or their personal qualifications.

(2) Where the functions of a body corporate consist wholly or mainly in the holding of investments or other property, the holding of the investments or other property shall be deemed for the purpose of this Part of this Act to be a business carried on by the body corporate.

COMPUTATION OF STANDARD PROFITS.

17.—(1) For the purpose of this Part of this Act the standard profits of a trade or business shall be computed, in relation to any chargeable accounting period, by reference to whichever of the following two standards the person carrying on the trade or business may select as respects that period, namely, the average profits standard or the percentage of capital standard :

Provided that where the trade or business commenced after the first day of January, nineteen hundred and thirty-six, the standard profits thereof shall be computed as respects all chargeable accounting periods by reference to the percentage of capital standard.

(2) Where the standard profits of a trade or business are computed as respects any chargeable accounting period by reference to the average profits standard, the standard profits shall, subject as hereafter provided, be taken to be the average annual profits arising from the trade or business in the standard years or, if there is only one such year, the profits so arising in that year :

Provided that where the average amount of capital employed in the trade or business during the chargeable accounting period exceeds, or is less than, the average amount of capital so employed during the standard years or year, there shall be added to or deducted from the amount of the average annual profits arising in the standard years, or the profits arising in the standard year,

a sum equal to the statutory percentage as hereafter defined of the excess or deficiency.

(3) For the purpose of the last foregoing subsection the standard years or year shall be ascertained as follows:—

- (a) in a case where the trade or business commenced on or before the first day of January, nineteen hundred and thirty-three, the standard years shall be such three of the years nineteen hundred and thirty-three, nineteen hundred and thirty-four, nineteen hundred and thirty-five, and nineteen hundred and thirty-six, as the person carrying on the trade or business may select or, at his option, such two of the first three of those years as he may select;
- (b) in a case where the trade or business commenced after the first day of January, nineteen hundred and thirty-three, and on or before the first day of January, nineteen hundred and thirty-four, the standard years shall be the years nineteen hundred and thirty-four, nineteen hundred and thirty-five, and nineteen hundred and thirty-six, or, if the person carrying on the trade or business so chooses, the first two of those years;
- (c) in a case where the trade or business commenced after the first day of January, nineteen hundred and thirty-four, and on or before the first day of January, nineteen hundred and thirty-five, the standard years shall be the years nineteen hundred and thirty-five and nineteen hundred and thirty-six, or, if the person carrying on the trade or business so chooses, the first of those years shall be the standard year;
- (d) in a case where the trade or business commenced after the first day of January, nineteen hundred and thirty-five, and on or before the first day of January, nineteen hundred and thirty-six, the year nineteen hundred and thirty-six shall be the standard year.
- (4) Where the standard profits of a trade or business are computed as respects any chargeable accounting period by reference to the percentage of capital standard, the standard profits shall, subject as hereafter provided, be taken to be an amount equal to the statutory percentage as hereafter defined of the average amount of capital employed in the trade or business during that period.
- (5) For the purpose of any calculation required to be made by reference to standard profits under this Part of this Act in respect of any chargeable accounting period which is less than twelve months, the standard profits computed in accordance with the foregoing provisions of this section shall be proportionately reduced so as to correspond with the length of the period.

COMPUTATION OF CAPITAL.

18.—(1) Subject to the provisions hereafter contained in this Part of this Act, the average amount of capital employed in a trade or business during any period shall be computed for the purposes of this Part of this Act in accordance with the provisions set out in Part I of the Sixth Schedule to this Act.

(2) In the case of any class or sub-division of a trade or business, the provisions of Part I of the said Sixth Schedule may be altered by an order made subject to and in accordance with the provisions of Part II of that Schedule.

(3) Any order under section forty-two of the Finance (No. 2) Act, 1915, which was in force at the commencement of the Finance Act, 1926, altering the percentage standard for the purposes of the excess profits duty shall, with the necessary adaptations, have effect for the pur-

poses of this Part of this Act, and the provisions set out in Part I of the Sixth Schedule to this Act shall, in relation to trades or businesses of the class or sub-division specified in the order, have effect subject to the provisions of the order:

Provided that any such order shall require confirmation, and be capable of variation and revocation, under and in accordance with the provisions of Part III of that Schedule.

(4) If the person carrying on a trade or business elects that the standard profits of the trade or business shall be computed in relation to any chargeable accounting period by reference to the percentage of capital standard, he may also elect that the average amount of capital employed in the trade or business during that period shall not be computed in accordance with the foregoing provisions of this section, but shall for all the purposes of this Part of this Act be taken to be twenty-five thousand pounds:

Provided that, where an election is made under this subsection as respects any chargeable accounting period, the appropriate abatement shall not be deducted from the profits arising from the trade or business in that period, notwithstanding that they fall short of the marginal amount, and the expression "abated profits" in relation to that period shall be construed as if the profits had not fallen short of the marginal amount.

THE STATUTORY PERCENTAGE.

19.—(1) Subject to the provisions of this section, the statutory percentage in relation to any trade or business shall, for the purposes of this Part of this Act, be taken to be—

- (a) in the case of a trade or business carried on by a body corporate, six per cent.; and
- (b) in the case of any other trade or business, eight per cent.
- (2) In the case of any class or sub-division of a trade or business the percentage aforesaid may be increased by order made subject to and in accordance with the provisions of Part II of the Sixth Schedule to this Act.
- (3) Any order under section forty-two of the Finance (No. 2) Act, 1915, which was in force at the commencement of the Finance Act, 1926, increasing the statutory percentage for the purposes of the excess profits duty shall, with the necessary adaptations, have effect for the purposes of this Part of this Act, and the statutory percentage in relation to trades or businesses of the class or sub-division specified in the order shall be increased accordingly:

Provided that any such order shall require confirmation, and be capable of variation and revocation, under and in accordance with the provisions of Part III of the Sixth Schedule to this Act.

(4) In the case of a new trade or business commenced after the first day of January, nineteen hundred and thirty-four, the statutory percentage otherwise applicable to the trade or business under the foregoing provisions of this section shall be increased as follows:—

- (a) in relation to any chargeable accounting period falling wholly within the three years immediately following the commencement of the trade or business, the statutory percentage otherwise applicable as aforesaid shall be increased by two per cent.;
- (b) in relation to any such period falling partly within those three years, the statutory percentage otherwise applicable as aforesaid shall be increased by an amount per cent. which bears to two per cent. the same proportion that the part of the period falling within those three years bears to the whole period.

(5) In the case of a private company the directors whereof have a controlling interest therein, the statutory percentage otherwise applicable to the trade or business under the foregoing provisions of this section shall be increased by two per cent., and for the purpose of this subsection the expression "directors" includes any persons who are managers of the company or otherwise concerned in the management of the trade or business.

PROVISIONS AS TO TRANSFER AND AMALGAMATION OF TRADES AND BUSINESSES.

20.—(1) As from the date of any change in the persons carrying on a trade or business, for the purposes of this Part of this Act the trade or business shall be deemed to have been discontinued and a new trade or business shall be deemed to have commenced:

Provided that where the change consists of the death or retirement of a partner or the taking in of a partner, the persons carrying on the trade or business after the change may, within twelve months from the date of the change or the date of the passing of this Act, whichever is the later, by notice in writing to the Commissioners elect that the trade or business shall not be deemed to have been discontinued and that a new trade or business shall not be deemed to have commenced.

(2) All trades or businesses to which this Part of this Act applies carried on by the same person shall be treated as one trade or business for the purposes of this Part of this Act, and, on the acquisition of a trade or business to which this Part of this Act applies by a person carrying on another trade or business to which this Part of this Act applies, the acquired trade or business and its assets shall be treated as having become part of that other trade or business and its assets respectively.

(3) No trade or business shall be deemed to have been discontinued and no new trade or business shall be deemed to have commenced by virtue of this section for the purpose of the provisions of this Part of this Act relating to the persons liable to assessment or relating to the increase of the statutory percentage in the case of new businesses commenced after the first day of January, nineteen hundred and thirty-four.

PROVISIONS AS TO SUBSIDIARY COMPANIES.

21.—(1) A body corporate shall be treated for the purposes of this section as being or having been the ultimate owner of any trade or business carried on by any of its subsidiaries for the time being, if and so long as that body corporate is or was resident in the United Kingdom and is or was not itself a subsidiary of another body corporate resident in the United Kingdom.

(2) Where a body corporate is treated as being or having been the ultimate owner of a trade or business to which this Part of this Act applies—

- (a) that trade or business shall be deemed for the purposes of this Part of this Act to be or to have been carried on by that body corporate and references in this Part of this Act to the person carrying on the trade or business shall be construed accordingly;
- (b) the provisions of the last foregoing section relating to the acquisition of trades or businesses shall have effect as if the body corporate, when it became the ultimate owner of the trade or business, had acquired that trade or business;
- (c) in computing any liability of the body corporate to the national defence contribution, there shall be left out of account any shares held by that body corporate in any of its subsidiaries, any dividends from any such shares, and any debts or interest payable to or by that body corporate by or to any of its subsidiaries.

(3) For the purpose of this section—

- (a) a body corporate of which another body corporate is the owner as hereafter defined shall be deemed to be a subsidiary of that other body corporate and, in the case of a series of three or more bodies corporate of which the first is the owner of the second and the second is the owner of the third and so on, the last shall be deemed to be the subsidiary of all those other bodies corporate, and the last but one shall be deemed to be the subsidiary of all those other bodies corporate except the last, and so on;
- (b) a body corporate shall be deemed to be the owner of another body corporate if it is the beneficial owner of not less than nine-tenths of the ordinary share capital of that other body corporate.

RELIEF IN RESPECT OF DEFICIENCY OF PROFITS.

22.—(1) For the purpose of this Part of this Act a deficiency of profits shall be deemed to have occurred in a trade or business in any chargeable accounting period if the profits arising from the trade or business in that period are less than the standard profits, or if a loss is sustained in the trade or business in that period; and the amount of the deficiency occurring in any such period shall be taken to be—

- (a) where profits have been made in the period, the amount by which those profits fall short of the standard profits;
- (b) where a loss has been sustained in the period, the amount of the loss added to the amount of the standard profits.

(2) Where a deficiency of profits occurs in any chargeable accounting period in any trade or business to which this Part of this Act applies, the chargeable profits arising from the trade or business shall be deemed to be reduced, and relief shall be granted, in accordance with the following provisions:—

- (a) the aggregate amount of the chargeable profits for previous chargeable accounting periods shall be deemed to be reduced by the amount of the deficiency, and the amount of the national defence contribution payable in respect thereof shall be deemed to be reduced accordingly, and the relief necessary to give effect to the reduction shall be given by repayment or otherwise;
- (b) where chargeable profits have arisen from the trade or business in two or more such previous periods and the aggregate amount of the national defence contribution chargeable in respect of those periods was calculated by reference to different fractions (hereinafter referred to as taxation fractions) of different parts of the chargeable profits, the reduction aforesaid of the aggregate amount of the chargeable profits shall be carried out as follows:—

(i) those parts of the aggregate chargeable profits the taxation fraction whereof was the highest shall first be reduced;

(ii) if the amount to be reduced under the last foregoing sub-paragraph is less than the amount of the deficiency, those parts of the aggregate chargeable profits the taxation fraction whereof was the next highest shall next be reduced;

(iii) if the amounts to be reduced under the two foregoing sub-paragraphs are together less than the amount of the deficiency, the remainder, if any, of the chargeable profits shall be reduced;

- (c) where chargeable profits arise in a subsequent accounting period and relief or greater relief could

be given under the last two foregoing paragraphs if that subsequent period were taken into account as if it were a previous chargeable accounting period, it shall be so taken into account and relief or further relief shall be given accordingly.

(3) Where at any time after the commencement of the first chargeable accounting period any change takes place in the persons carrying on a trade or business and, under the provisions of this Part of this Act relating to the effect of such changes, the trade or business is not deemed to be discontinued by reason of the change, the provisions of this section shall have effect subject to the modifications set out in the Seventh Schedule to this Act.

DEDUCTION OF NATIONAL DEFENCE CONTRIBUTION IN COMPUTING LIABILITY TO INCOME TAX.

23.—(1) The amount of the national defence contribution payable in respect of the chargeable profits arising from a trade or business in any chargeable accounting period (without deducting therefrom any amount which is found to be repayable by reason of a deficiency of profits in any subsequent accounting period) shall be allowed to be deducted as an expense in computing for the purpose of income tax the profits and gains arising from that trade or business for that period.

(2) Where an amount is allowed to be deducted as an expense by virtue of this section, any income tax overpaid in consequence thereof by any person shall be repaid to him.

RETURNS AND PENALTIES.

24.—(1) The Commissioners may for the purposes of this Part of this Act by notice in writing require any person who carries on or has carried on any trade or business to which this Part of this Act applies to deliver to them a return of the profits arising from the trade or business in any period during which it was carried on by him and to furnish them with any other particulars relating to the trade or business and to produce to them any books or documents in his possession or power relating to the trade or business:

Provided that—

- (a) where the trade or business is or was being carried on by persons in partnership, the notice may be given in the partnership name, if any;
- (b) where the person who carries on or has carried on the trade or business is not resident in the United Kingdom the notice may be given to any agent, manager or factor resident in the United Kingdom through whom he is or was carrying on the trade or business.

(2) Where any such person as aforesaid is dead or is a body corporate which is being wound up, the notice mentioned in the last foregoing subsection may be given to the personal representative of the dead person or liquidator of the body corporate, as the case may be.

(3) Every person to whom a notice is given under the foregoing provisions of this section shall comply with the requirements thereof within two months from the date of the notice:

Provided that where a notice is given in the partnership name to the persons who are or were carrying on a trade or business in partnership it shall be the duty of the precedent partner or, where no partner is resident in the United Kingdom, of the agent, manager or factor of the firm resident in the United Kingdom, to comply with the requirements of the notice.

(4) Every person who is liable to assessment to the national defence contribution either solely or jointly with any other person in respect of any chargeable accounting period shall, within four months from the end of that

period, give notice to the Commissioners that he is so liable.

(5) Where a person would be liable to assessment as aforesaid in respect of any chargeable accounting period but for his death, or where a body corporate which is so liable is being wound up, the personal representative of the dead person or the liquidator of the body corporate, as the case may be, shall, unless notice has been given in respect of that period under the last foregoing subsection, give notice to the Commissioners of the liability within four months from the date on which he becomes personal representative or liquidator.

(6) Where a body corporate is being wound up, the liquidator of the body corporate shall not distribute any of the assets of the body corporate to the members thereof unless he has made provision for the payment in full of any national defence contribution which may be found payable by the body corporate.

(7) If any person without reasonable excuse contravenes or fails to comply with any of the provisions of this section, he shall be liable on summary conviction to a fine not exceeding five hundred pounds, and, in a case where he fails to comply with the provisions of subsection (3) of this section, to a further fine not exceeding fifty pounds for every day on which the failure continues.

ASSESSMENT AND COLLECTION.

25.—(1) The national defence contribution shall be assessed by the Commissioners and shall be due and payable at the expiration of two months from the date of the assessment, and shall be recoverable as a debt due to His Majesty from the person on whom it is assessed.

(2) The contribution shall be assessed on the person who at the time when the assessment is made carries on the trade or business or, if the trade or business has then ceased to be carried on, on the person who carried on the trade or business immediately before the cessation:

Provided that where there has been a change in the persons carrying on a trade or business the Commissioners may, if they think fit, assess any contribution in respect of any period before the change on the person who carried on the trade or business immediately before the change.

(3) Where two or more persons are or were carrying on a trade or business jointly, the assessment shall be made upon them jointly and, in the case of a partnership, may be made in the partnership name, if any.

(4) Where the person who is or was carrying on a trade or business is not resident in the United Kingdom, an assessment may be made upon any agent, manager or factor resident in the United Kingdom through whom he is or was carrying on the trade or business.

(5) Where by virtue of any of the foregoing provisions of this section an assessment could, but for his death, be made on any person either solely or jointly with any other person, the assessment may be made on his personal representative either solely or jointly with that other person, as the case may be.

(6) An assessment (including an additional assessment) may be made at any time within six years after the end of the chargeable accounting period in respect of which the assessment is made, and in the absence of a satisfactory return or other information on which to make an assessment the Commissioners may make an assessment according to the best of their judgment.

(7) In a bankruptcy, in the winding-up of a company, and in the event of a receiver being appointed on behalf of the holders of any debentures of a company secured by a floating charge or of possession being taken by or on behalf of those debenture holders of any property com-

prised in or subject to the charge, the same priority shall be given to the national defence contribution as is, by the enactments relating to bankruptcy and companies, required to be given to income tax.

26.—(1) Any person who is dissatisfied with an assessment made on him by the Commissioners under this Part of this Act, or with their determination of any question as to relief under this Part of this Act in respect of any deficiency of profits, may appeal either to the General Commissioners for the division in which he is assessed for the purposes of income tax or to the Special Commissioners.

(2) On any appeal under this section, the General or Special Commissioners shall have power, if they think fit, to summon witnesses and examine them on oath.

(3) The provisions of section one hundred and ninety-six of the Income Tax Act, 1918 (which relate to appeals in Northern Ireland from the Special Commissioners to the recorder or the county court judge), shall apply to an appeal to the Special Commissioners in Northern Ireland under this section.

(4) The provisions of section one hundred and forty-nine of the Income Tax Act, 1918 (which relate to the statement of a case on a point of law) shall, with the necessary modifications, apply in the case of any appeal to the General or Special Commissioners under this section and in the case of any re-hearing of any such appeal in Northern Ireland, as they apply in the case of appeals to the General or Special Commissioners under the Income Tax Acts.

(5) Notwithstanding that an appeal is pending against an assessment to the national defence contribution made by the Commissioners of Inland Revenue, such part of the contribution assessed as appears to those Commissioners not to be in dispute shall be collected and paid in all respects as if it were a contribution charged by an assessment in respect of which no appeal was pending, and on the determination of the appeal any balance chargeable in accordance with the determination shall be paid, or any amount over-paid shall be repaid, as the case may require.

MISCELLANEOUS PROVISIONS AS TO ASSESSMENT, COLLECTION AND APPEALS.

27.—(1) The Commissioners of Inland Revenue may make regulations with respect to the assessment and collection of the national defence contribution and the hearing of appeals, and may by those regulations apply and adapt any enactments relating to the assessment and collection of income tax or the hearing of appeals as to income tax by the Special or General Commissioners which do not otherwise apply.

(2) All Commissioners and other persons employed for any purpose in connection with the assessment or collection of the national defence contribution shall be subject to the same obligations as to secrecy with respect to the contribution as they are subject to with respect to income tax, and any oath taken by any such person as to secrecy with respect to income tax shall be deemed to extend also to secrecy with respect to the national defence contribution.

INTERPRETATION OF PART III.

28. For the purposes of this Part of this Act, the following expressions have the meaning hereby respectively assigned to them—

“the Board of Referees” means the Board of Referees for the purposes of Rule 6 of the Rules applicable to Cases I and II of Schedule D in the Income Tax Act, 1918 ;

“the commencement” of a trade or business means the date on which it commenced to be carried on, and the expression “commenced” in relation to a trade or business shall be construed accordingly ;

“the Commissioners” means the Commissioners of Inland Revenue ;

“the General Commissioners” and “the Special Commissioners” have the same meanings respectively as in the Income Tax Act, 1918 ;

“ordinary share capital,” in relation to a body corporate, means all the issued share capital (by whatever name called) of that body corporate, other than capital the holders whereof have a right to a dividend at a fixed rate or a rate which fluctuates only in accordance with the standard rate of income tax, and no other right to share in the profits of the body corporate ;

“the precedent partner” has the same meaning as in paragraph (2) of Rule 10 of the Rules applicable to Cases I and II of Schedule D in the Income Tax Act, 1918 ;

“private company” means a private company within the meaning of the Companies Act, 1929, or the Companies Act (Northern Ireland), 1932.

THIRD SCHEDULE.

(Section 11.)

MODIFICATION OF ENACTMENTS RELATING TO SURTAX ON UNDISTRIBUTED INCOME OF CERTAIN COMPANIES.

1. Where by virtue of this Act a direction is given under subsection (1) of section twenty-one of the Finance Act, 1922, that the actual income of an investment company from all sources for a year of assessment shall be deemed to be the income of the members—

(a) the amount to be deducted in assessing and charging surtax under the provisions of the said section in respect of the sum apportioned to any member in consequence of the direction shall be any amount which has been distributed to him by the company in that year of assessment out of the income of the company for that year in such manner that the amount distributed falls to be included in the statement of total income to be made by him for the purposes of surtax ;

(b) paragraph 9 of the First Schedule to the Finance Act, 1922, shall not apply, but the income apportioned to a member of the company, so far as assessable and chargeable to surtax under section twenty-one of the said Act, shall, for the purposes of that tax, be deemed to have been received by him on the last day of that year of assessment ;

(c) subsection (1) of section thirty-two of the Finance Act, 1927, shall apply, in a case where the second company referred to therein is an investment company, as if the amount to be deemed to be the income of the members of that company and to be apportioned among them under that subsection were the excess of the amount apportioned to that company in consequence of the direction over the amount, if any, which has been received in that year of assessment by that company out of the income of the first company for that year in such manner as would, in the case of an individual, render the amount so received liable to be included in the statement of his income for the purposes of surtax.

2. Subsection (3) of section eighteen of the Finance Act, 1928, shall have effect as if there were inserted—

(a) in paragraph (a) thereof after the words "year or other period," where they first occur, the words "or any year of assessment ending within that year or other period," and where they secondly occur, the words "or any such year of assessment";

(b) in paragraph (b) thereof after the words "year or period" the words "or any year of assessment ending within that year or period."

3. In this Schedule any reference to a year of assessment shall include a reference to a period which is treated by the Special Commissioners by virtue of this Act as if it were a year of assessment.

FOURTH SCHEDULE.

(Section 15.)

Rates of National Defence Contribution.

PART I.

TRADES OR BUSINESSES CARRIED ON BY BODIES CORPORATE.

Where the amount of the abated profits of the chargeable accounting period is such percentage of the average amount of capital employed in the trade or business during that period (hereafter in this Part of this Schedule referred to as "the capital") as is stated in the first column of the next following table, and (in cases where those profits exceed twelve per cent. of the capital) the amount of the standard profits is such percentage of the capital as is stated in the second column of that table, the amount of the contribution shall be as stated in the third column of that table:

Provided that—

(a) in the case of a trade or business the statutory percentage applicable whereto for the chargeable accounting period is greater than six per cent., any percentage of the capital mentioned in this Part of this Schedule shall be increased by an amount equal to the difference between six per cent. and the statutory percentage so applicable; and

(b) in the case of a chargeable accounting period which is less than twelve months, any percentage of the capital mentioned in this Part of this Schedule, and any increase thereof under the last foregoing proviso, shall be proportionately reduced so as to correspond with the length of that period.

Abated profits.	Standard profits.	Amount of contribution chargeable.
Not exceeding 12 per cent. of the capital.	—	An amount equal to one-fifth of the chargeable profits.
Exceeding 12 per cent. but not exceeding 16 per cent. of the capital.	Less than 12 per cent. of the capital.	(a) An amount equal to one-fifth of so much of the chargeable profits as is equal to the difference between the standard profits and a sum equal to 12 per cent. of the capital; plus (b) an amount equal to one-quarter of the remainder of the chargeable profits.
	Not less than 12 per cent. of the capital.	An amount equal to one-quarter of the chargeable profits.

Abated profits.	Standard profits.	Amount of contribution chargeable.
Exceeding 16 per cent. of the capital.	Less than 12 per cent. of the capital.	(a) An amount equal to one-fifth of so much of the chargeable profits as is equal to the difference between the standard profits and 12 per cent. of the capital; plus (b) an amount equal to one-quarter of so much of the remainder of the chargeable profits as is equal to the difference between 12 per cent. and 16 per cent. of the capital; plus (c) an amount equal to one-third of the remainder of the chargeable profits.
	Not less than 12 per cent. but less than 16 per cent. of the capital.	(a) An amount equal to one-quarter of so much of the chargeable profits as is equal to the difference between the standard profits and 16 per cent. of the capital; plus (b) an amount equal to one-third of the remainder of the chargeable profits.
	Not less than 16 per cent. of the capital.	An amount equal to one-third of the chargeable profits.

PART II.

TRADES OR BUSINESSES NOT CARRIED ON BY BODIES CORPORATE.

Where the amount of the abated profits of the chargeable accounting period is such percentage of the average amount of capital employed in the trade or business during that period (hereafter in this Part of this Schedule referred to as "the capital") as is stated in the first column of the next following table, and (in cases where those profits exceed fourteen per cent. of the capital) the amount of the standard profits is such percentage of the capital as is stated in the second column of that table, the amount of the contribution shall be as stated in the third column of that table:

Provided that—

(a) in the case of a trade or business the statutory percentage applicable whereto for the chargeable accounting period is greater than eight per cent., any percentage of the capital mentioned in this Part of this Schedule shall be increased by an amount equal to the difference between eight per cent. and the statutory percentage so applicable; and

(b) in the case of a chargeable accounting period which is less than twelve months, any percentage of the capital mentioned in this Part of this Schedule, and any increase thereof under the last foregoing proviso, shall be proportionately reduced so as to correspond with the length of that period.

Abated profits.	Standard profits.	Amount of contribution chargeable.
Not exceeding 14 per cent. of the capital.	—	An amount equal to one - fifth of the chargeable profits.
Exceeding 14 per cent. but not exceeding 18 per cent. of the capital.	Less than 14 per cent. of the capital.	(a) An amount equal to one-fifth of so much of the chargeable profits as is equal to the difference between the standard profits and a sum equal to 14 per cent. of the capital; plus (b) an amount equal to one-quarter of the remainder of the chargeable profits.
	Not less than 14 per cent. of the capital.	An amount equal to one-quarter of the chargeable profits.
Exceeding 18 per cent. of the capital.	Less than 14 per cent. of the capital.	(a) An amount equal to one-fifth of so much of the chargeable profits as is equal to the difference between the standard profits and 14 per cent. of the capital; plus (b) an amount equal to one-quarter of so much of the remainder of the chargeable profits as is equal to the difference between 14 per cent. and 18 per cent. of the capital; plus (c) an amount equal to one-third of the remainder of the chargeable profits.
	Not less than 14 per cent. but less than 18 per cent. of the capital.	(a) An amount equal to one-quarter of so much of the chargeable profits as is equal to the difference between the standard profits and 18 per cent. of the capital; plus (b) an amount equal to one-third of the remainder of the chargeable profits.
	Not less than 18 per cent. of the capital.	An amount equal to one-third of the chargeable profits.
		An amount equal to one-third of the chargeable profits.

FIFTH SCHEDULE.

(Section 15.)

Accounting Periods and Computation of Profits and Losses.

PART I.

PROVISIONS FOR DETERMINING ACCOUNTING PERIODS.

1. In a case where the accounts of a trade or business are made up for successive periods of twelve months, each of those periods shall be an accounting period.

2. In a case where the accounts of a trade or business have been made up as aforesaid but cease to be so made up, the accounting periods from the end of the last period of twelve months for which they were so made up shall be such periods not exceeding twelve months as the Commissioners may determine.

3. In any other case, the accounting periods of a trade or business shall be such periods not exceeding twelve months as the Commissioners may determine.

PART II.

GENERAL PROVISIONS FOR COMPUTATION OF PROFITS AND LOSSES.

1. The profits or losses arising from a trade or business in any period of computation shall be separately computed for the purpose of Part III of this Act, but shall be so computed on the principles on which the profits or losses arising from the trade or business are computed for the purpose of income tax under Case I of Schedule D, or would be computed for that purpose if income tax were chargeable under that Case in respect of the profits arising from the trade or business, subject, however, to the modifications set out in Part III of this Schedule.

2. Where a period of computation is not a period for which accounts of the trade or business have been made up, such division and apportionment to specific periods of the profits and losses for any period for which accounts relating to the trade or business have been made up, and such aggregation of any such profits or losses or any apportioned part thereof, shall be made as appears necessary to arrive at the profits or losses arising in the period of computation.

3. Any apportionment under the last foregoing paragraph shall, unless the Commissioners having regard to any special circumstances otherwise direct, be made in proportion to the number of months or fractions of months in the respective periods.

4. In this Part and in Part III of this Schedule the expression "period of computation" means any period for which the profits or losses arising from a trade or business require to be determined for the purposes of Part III of this Act.

PART III.

MODIFICATION OF INCOME TAX PROVISIONS AS TO COMPUTATION OF PROFITS AND LOSSES.

1. The profits or losses shall be taken to be the actual profits or losses arising in the period of computation; and the principles of computing profits or losses by reference to any other period and, save as provided in the next following paragraph, of allowing losses incurred in any other period to be carried forward, shall not be followed.

2. Where the carrying on of a trade or business has, over the period beginning on the first day of January, nineteen hundred and thirty-three, or at the commencement of the trade or business, whichever last occurs, and ending on the thirty-first day of December, nineteen hundred and thirty-six (in this paragraph referred to as the "pre-1937 period") resulted in a loss, that loss may be carried forward and set off against the profits arising in the first chargeable accounting period, and, if and so far as it exceeds the profits arising in that period, may be carried forward and set off against the profits arising in the second chargeable accounting period, and so on:

Provided that where at any time after the beginning of the pre-1937 period a change has taken place in the persons carrying on the trade or business and under the provisions of Part III of this Act relating to the effect of such

changes the trade or business is not deemed to be discontinued by reason of the change—

- (a) the amount of the loss shall be apportioned among the persons carrying on the trade or business in the pre-1937 period according to their respective shares in the trade or business ;
- (b) the profits arising in every chargeable accounting period shall be similarly apportioned among the persons carrying on the trade or business in that chargeable accounting period ;
- (c) there shall be ascertained, in the case of each chargeable accounting period, the amount (if any) which each of the persons carrying on the trade or business in that period would have been entitled to set off against his profits if he had in that and in any previous chargeable accounting period and in the pre-1937 period carried on the trade or business separately and his profits and losses in those periods respectively had been the profits and losses (if any) apportioned to him under the preceding sub-paragraphs ; and
- (d) no greater sum shall be set off against the profits of the trade or business in any chargeable accounting period subsequent to the change than the aggregate of the amounts ascertained in relation to that period under the last preceding sub-paragraph.

8. The principles of the Income Tax Acts under which deductions are not allowed for interest, annuities or other annual payments payable out of the profits, or for royalties, or (in certain cases) for rent, and under which the annual value of lands, tenements, hereditaments or heritages occupied for the purpose of a trade or business is excluded, and under which a deduction may be allowed in respect of such annual value, shall not be followed :

Provided that—

- (a) nothing in this paragraph shall authorise any deduction in respect of any payment of dividend or distribution of profits ;
 - (b) for the purpose of this paragraph any additional deduction allowable for income tax purposes by virtue of the proviso to paragraph (2) of Rule 5 of the Rules applicable to Cases I and II of Schedule D, and any deduction allowable for those purposes under section eighteen of the Finance Act, 1919, shall not be treated as a deduction in respect of annual value.
4. There shall be ascertained (on the like basis as the amount of a deduction for wear and tear is ascertained under Rule 6 of the Rules applicable to Cases I and II of Schedule D) a sum which represents the diminished value by reason of wear and tear, during every period of computation, of any plant or machinery which is an asset of the trade or business, and an amount equal to that sum, plus ten per cent. thereof, shall be deducted in respect of that period.

5. Where an amount is allowed to be deducted for purposes of income tax in respect of the replacement of plant or machinery, such part only of that amount shall be deducted as appears to be properly apportionable to the period of computation.

6. —(1) In the case of a trade or business carried on by a private company, the principles of the Income Tax Acts under which deductions are not allowed for the remuneration of persons carrying on a trade or business—

- (a) shall extend to any director of the company who is the beneficial owner of not less than thirty per cent. of the nominal amount of the ordinary share capital of the company ; and
- (b) if the directors of the company have a controlling interest therein, shall extend (unless the Com-

missioners otherwise direct) to any director of the company ;

as if he were carrying on the trade or business.

(2) For the purpose of this paragraph the expression "director" includes any persons who are managers of the company or otherwise concerned in the management of the trade or business.

7. No deduction shall be made on account of liability to pay, or the payment of, income tax or the national defence contribution.

8. No deduction shall be made in respect of any transaction or operation of any nature if and so far as it appears that the transaction or operation has artificially reduced the profits or increased the loss or would artificially reduce the profits or increase the loss.

9. Where the performance of a contract extends beyond the period of computation, there shall (unless the Commissioners owing to any special circumstances otherwise direct) be attributed to that period such proportion of the entire profit or loss which has resulted, or which it is estimated will result, from the complete performance of the contract as is properly attributable to that period, having regard to the extent to which the contract was performed in that period.

10. Account shall be taken of income received from investments in the case of banking businesses, businesses of building societies, life assurance businesses, and businesses consisting wholly or mainly in the making or holding of investments, but not in other cases ; and where account is taken of any such income which has been derived from profits in respect of which any payment or repayment of the national defence contribution has been made under Part III of this Act, such deduction or addition shall be made in computing the profits or loss as will make proper allowance for that payment or repayment.

11. Where the person carrying on the trade or business is the beneficial owner of investments the income from which is by virtue of the provisions of this Part of this Schedule not to be taken into account in computing the profits or losses of the trade or business, and a deduction would, apart from the provisions of this paragraph, fall to be made in respect of interest on borrowed money, the deduction (if any) to be made in respect of that interest shall be computed as if the principal of the borrowed money were reduced by the value of those investments :

Provided that, where the person carrying on the trade or business is not a body corporate, no reduction shall be treated as made in the principal of any borrowed money in respect of any investments unless those investments are mortgaged, charged or pledged as security for the repayment of that money and the interest thereon.

12. In computing the profits or losses of a local authority from any trade or business carried on by that authority, a deduction shall be made equal to the total amount which is required to be raised by them for sinking fund purposes in connection with that trade or business.

SIXTH SCHEDULE.

(Sections 18 and 19.)

Capital and Statutory Percentage.

PART I.

PROVISIONS FOR COMPUTING CAPITAL.

1. (1) Subject to the provisions of Part III of this Act and of this Part of this Schedule, the amount of the capital employed in a trade or business (so far as it does not consist of money) shall be taken to be—

- (a) so far as it consists of assets acquired by purchase at or after the commencement of the trade or busi-

ness, the price at which those assets were acquired subject to the deductions hereafter specified ;

- (b) so far as it consists of assets being debts due to the person carrying on the trade or business, the nominal amount of those debts, subject to the said deductions ;
 - (c) so far as it consists of any other assets which have been acquired otherwise than by purchase as aforesaid, the value of the assets when they became assets of the trade or business, subject to the said deductions.
- (2) The price or value of any asset other than a debt shall be subject to the following deductions :—
- (a) a deduction of any sum contributed, directly or indirectly, out of the Consolidated Fund of the United Kingdom or of Northern Ireland, or out of moneys provided by the Parliament of the United Kingdom or the Parliament of Northern Ireland, towards the acquisition of the asset ;
 - (b) any proper deductions for wear and tear ; and, in the case of a debt, the nominal amount of the debt shall be subject to any deduction which has been allowed in respect thereof for income tax purposes.
- (3) Where the price of any asset has been satisfied otherwise than in cash, the then value of the consideration actually given for the asset shall be treated as the price at which the asset was acquired.
- (4) Where a trade or business carried on by any person has been transferred to another person being a body corporate in consideration solely or mainly of the allotment of the whole or the greater part of the share capital of the body corporate to that person or to his nominee, the amount (if any) of the capital to be ascribed to any assets of the trade or business acquired by the body corporate as the result of the transfer, other than material assets, shall be computed as if that person had continued to carry on the trade or business and to own the assets so acquired by the body corporate.

For the purpose of this sub-paragraph, patents and secret processes shall be deemed to be material assets.

2.—(1) Any borrowed money and debts shall be deducted, and in particular any debt for income tax computed by reference to the standard rate or for the national defence contribution in respect of the trade or business shall be deducted :

Provided that any such debt for income tax or the national defence contribution shall, for the purposes of this Part of this Schedule, be deemed to have become due—

- (a) in the case of income tax, on the first day of January in the year of assessment for which the tax is assessable ;
- (b) in the case of the national defence contribution, on the first day of the chargeable accounting period next following that in respect of which the contribution is assessable ;

notwithstanding that the tax or contribution may not have been assessed until after those dates respectively.

(2) Where any debt for the national defence contribution assessable in respect of any period is to be deducted under this paragraph, the amount thereof shall not be reduced as the result of any relief to be given in respect of a deficiency of profits occurring in any subsequent period, and the amount of any such relief shall be treated as having become an asset of the trade or business on the first day of the chargeable accounting period next following the period in which the deficiency occurred.

3. Any investments the income from which is by virtue of the provisions of Part III of the Fifth Schedule to this Act not to be taken into account in computing the profits

or losses of the trade or business, and any moneys not required for the purposes of the trade or business, shall be left out of account, but where any investments in the beneficial ownership of the person carrying on the trade or business are so left out of account, the sum (if any) to be deducted under the last preceding paragraph in respect of borrowed money shall be computed as if the principal of the borrowed money were reduced by the value of those investments :

Provided that, where the person carrying on the trade or business is not a body corporate, no reduction shall be treated as made in the principal of any borrowed money in respect of any investments unless those investments are mortgaged, charged or pledged as security for the repayment of that money and the interest thereon.

4. For the purpose of ascertaining the average amount of capital employed in a trade or business during any period, the profits or losses made in that period shall, except so far as the contrary is shown, be deemed—

- (a) to have accrued at an even rate throughout the period ; and
- (b) to have resulted, as they accrued, in a corresponding increase or decrease, as the case may be, in the capital employed in the trade or business.

PART II.

PROVISIONS AS TO ALTERATION OF PART I AND TO INCREASE OF STATUTORY PERCENTAGE.

1. An application for an alteration of the provisions of Part I of this Schedule, or for an increased statutory percentage, may be made by persons substantially representing any class of trade or business.

2. Any such application shall be made to and determined by the Commissioners, but if the applicant is dissatisfied with the determination of the Commissioners he may appeal to the Board of Referees (hereafter in this Schedule referred to as "the Board").

3. On any application for an alteration of the provisions of Part I of this Schedule the Commissioners, or, on appeal, the Board may, if they are satisfied that the amount of capital actually employed in trades or businesses of the class in question is, owing to the nature of the trades or businesses, small compared with that necessarily at stake therein, order that the said provisions shall, in relation to trades or businesses of the class in question, be altered in such manner as will in their opinion make due allowance for that fact.

4. On any application for an increased statutory percentage the Commissioners or, on appeal, the Board may, if they are satisfied that there is any exceptional degree of risk incurred in trades or businesses of the class in question or any exceptional wastage of, or exceptional deferment of the yield on, the capital employed therein, order that the statutory percentage in relation to trades or businesses of that class shall be such increased percentage as may be specified in the order.

5. Any order made under this Part of this Schedule, whether by the Commissioners or by the Board, may be revoked or amended by order of the Board if the Board are satisfied, on representations made either by persons substantially representing the class of trade or business to which the order relates or by the Commissioners, that the circumstances by reference to which the order was made have materially changed.

6. If the Commissioners or the Board are of opinion that a sub-division of a class of a trade or business, being a sub-division based on any special feature thereof (including locality), can properly be dealt with separately, the Commissioners or the Board, as the case may be, may

treat that sub-division for the purpose of this Part of this Schedule as if it were a class.

7. Any order made under this Part of this Schedule may provide that it shall have effect from the passing of this Act or as respects any chargeable accounting period beginning after such date as may be specified in the order.

8. The provisions of section one hundred and forty-nine of the Income Tax Act, 1918 (which relate to the statement of a case on a point of law), shall apply with the necessary modifications in the case of any appeal or application under this Part of this Schedule to the Board as they apply in the case of appeals to the General or Special Commissioners under the said Act.

PART III.

CONFIRMATION OF ORDERS MADE UNDER SECTION 42 OF THE FINANCE (NO. 2) ACT, 1915.

1. An application for the confirmation of an order made under section forty-two of the Finance (No. 2) Act, 1915, may be made to the Commissioners by persons substantially representing the class or sub-division of a trade or business to which the order relates.

2. On any such application the order may be confirmed by the Commissioners, whether with or without modifications, but no such modifications shall be made by the Commissioners unless the applicants assent thereto.

3. If the Commissioners refuse to confirm the order or will only confirm the order with modifications from which the applicants dissent, the Commissioners shall refer the application to the Board.

4. Where an application for the confirmation of an order altering the percentage standard is referred to the Board, the Board may, if they are satisfied that the amount of capital actually employed in trades or businesses of the class or sub-division in question is, owing to the nature of the trades or businesses, small compared with that necessarily at stake therein, confirm the order either with or without modifications.

5. Where an application for the confirmation of an order increasing the statutory percentage is referred to the Board, the Board may, if they are satisfied that there is any exceptional degree of risk incurred in trades or businesses of the class or sub-division in question, or any exceptional wastage of, or exceptional deferment of the yield on, the capital employed therein, confirm the order either with or without modifications.

6. If, in the case of any order made under the said section forty-two, no application for the confirmation thereof is made before the end of June, nineteen hundred and thirty-eight, or if the result of any application so made is that the order is not confirmed, the order shall, for the purpose of Part III of this Act, cease to have effect and be deemed never to have had effect.

7. The provisions of Part II of this Schedule relating to the variation and revocation of orders made thereunder shall apply also to orders confirmed under this Part of this Schedule, and the provisions of paragraph 8 of Part II of this Schedule shall apply in the case of references to the Board under this Part of this Schedule as they apply in the case of appeals or applications to the Board under that Part of this Schedule.

SEVENTH SCHEDULE.

(Section 22.)

MODIFICATIONS OF PROVISIONS AS TO RELIEF FOR DEFICIENCIES OF PROFITS IN CERTAIN CASES.

1. The amount of the deficiency shall be apportioned among the persons carrying on the trade or business in the period in which the deficiency occurs, according to their respective interests in the profits of the trade or business.

2. In the case of each chargeable accounting period in which there were or are chargeable profits, those profits, the national defence contribution payable in respect thereof and the parts of that contribution having different taxation fractions shall be similarly apportioned among the persons carrying on the trade or business in that period.

3. There shall be ascertained in the case of each chargeable accounting period the amount of the relief to which each of those persons carrying on the trade or business in that period would have been entitled in respect of his share of the deficiency if—

(a) he had been carrying on the trade or business separately since the commencement thereof; and

(b) the amounts apportioned to him as aforesaid were the relevant amounts of chargeable profits, national defence contribution paid in respect thereof and parts of that contribution having separate taxation fractions.

4. The relief to be given in respect of any chargeable accounting period subsequent to the change in the persons carrying on the trade or business shall be the aggregate of the amounts which have been ascertained in relation to that period under the last preceding paragraph, and it shall be given to the persons carrying on the trade or business in that period, or in the period in which the deficiency occurs, whichever is the later.

EIGHTH SCHEDULE.

Enactments Repealed.

PART I.

ENACTMENTS RELATING TO INCOME TAX REPEALED AS FROM APRIL 6TH, 1937.

Session and Chapter.	Short Title.	Extent of Repeal.
8 & 9 Geo. 5, c. 40.	The Income Tax Act, 1918.	The proviso to paragraph (2) of Rule 5 of the Rules applicable to Cases I and II of Schedule D, Section eighteen.
9 & 10 Geo. 5, c. 32.	The Finance Act, 1919.	In the third column of the Third Schedule the words "(other than the deduction granted by subsection (2) of section eighteen of the Finance Act, 1919)."
16 & 17 Geo. 5, c. 22.	The Finance Act, 1926.	

CORONATION HONOURS LIST.

We record with interest the following Honours announced in the Coronation Honours List:—

Privy Councillor: Mr. Edward Leslie Burgin, LL.D., M.P., Parliamentary Secretary Board of Trade (now Minister of Transport).

C.B.E.: Mr. Walter Fred Harris, F.C.A., Chairman of the Fishings Vessels War Risks Compensation Committee.

Mr. Thomas Lochead, C.A., Chief Accountant B.B.C.

O.B.E.: Mr. Thomas Alfred Collins, A.S.A.A., Deputy Assistant Accountant-General Ministry of Labour.

Mr. Frank Waller Rattenbury, F.S.A.A., County Accountant, Middlesex.

Mr. Donald Lyall Reynolds, C.A., Hon. Accountant to the Sea Fish Commission.

Mr. Walter Ernest Strudwicke, M.C., A.C.A., Senior Staff Officer, Ministry of Agriculture and Fisheries.

PROPOSED NATIONAL DEFENCE CONTRIBUTION.

Criticisms and Suggestions.

A Special Committee, representing the Association of British Chambers of Commerce, the Federation of British Industries, the Chamber of Shipping of the United Kingdom and other bodies, have prepared a report on the Budget proposals. The Chairman of the Committee was Mr. Henry Morgan, F.S.A.A., and amongst the members of the Sub-Committee who drafted the report were Mr. A. Stuart Allen, F.S.A.A., Mr. C. U. Peat, F.C.A., and Mr. R. V. Rodwell, F.C.A. The report was sent to the Chancellor of the Exchequer on May 11th with the following covering letter from the Secretary of the Committee, Mr. R. B. Dunwoody.

SIR,—With further reference to the letter of May 5th which I had the honour to address to you, informing you of the appointment of a Committee representing various industrial organisations to devise specific proposals with the object of helping to make the proposed National Defence Contribution as equitable as possible in its incidence, I now have the honour, by direction of Mr. Henry Morgan, Chairman of the Committee, to submit for your consideration the enclosed Report which was unanimously adopted at a special meeting of the Committee held to-day.

The voluminous correspondence addressed to the various bodies represented on the Committee affords convincing evidence that the traditional willingness of the trading community to shoulder a necessary additional burden of taxation has never been more strikingly shown than on the present occasion, but at the same time there is widespread apprehension that the proposals as at present understood may involve injustice to an extent that might prejudice the acceptability of the contribution.

From all sides the hope is expressed that it will still be found possible to devise a simpler method of raising the additional revenue.

The statements you have made since the introduction of your Budget proposals have been reassuring to some extent since it is now understood that the Bill will be designed to ensure that the levy is to apply to the growth of prosperity and is not to be a charge on the return to normal or on the upward swing of the business pendulum.

The fear remains that the varying effects of the depression in the standard period and the changes in and diversity of capital structure must entail great complexity in the law and difficulty in its administration.

The organisations are holding themselves at your disposal to lay the facts of their cases before you, but in the meantime they have pooled the information and the views available to them, and the Report now submitted contains the Committee's proposals designed to achieve as great a measure of equity as possible.

THE REPORT.

Section 1.

OVER-RIDING LIMIT.

Much of the dismay which the proposals created was due to the fact that, on the information given, the estimated liability in a number of important instances approached one-third of the full profits. So far no actual modification of the original formula has been vouchsafed which permits any alternative calculation to be made and much anxiety is still felt by the business community.

The certainty that the liability could not exceed a fixed percentage of total profits would go far towards the restoration of confidence and at the same time tend to smooth out the more extreme inequalities of incidence.

A limit of liability of 10 per cent. on the total statutory profits after deduction of the allowances and reliefs to be granted under the Act, is suggested. Assuming a single rate of contribution of 25 per cent. and a standard profit of 100, the limitation would commence to operate when the profit reached 167. [25 per cent. of the growth of profit (67) equals 10 per cent. of the total profits (167).]

Growth of profits is likely to be the reward of enterprise and efficiency, and the limitation of liability would lessen the discouraging effect which the unrestricted operation of the Contribution would have.

We have satisfied ourselves that the limitation could not in fairness be applied independently to any one or more accounting periods, but that there must be consequential adjustments for the life of the Contribution. What we have in mind would set a limit to the amount to be paid in respect of each accounting period, and is best illustrated by two examples in which for convenience we have assumed a single rate of contribution of 25 per cent., a standard profit of 100, and a limitation to 10 per cent. of the full profits.

Year.	Profits.	Growth.	Contribution.	Payable under Limit.	Cumulative Difference.
First ..	100	90	22½	19	+ 3½
Second ..	210	110	27½	21	+10
Third ..	120	20	5	12	+ 3
Last ..	140	40	10	13	Nil
		260	65	65	
First ..	300	200	50	30	+20
Second ..	400	300	75	40	+55
Third ..	100	—	—	10	+45
Fourth ..	—200	—300	—75	—30	Nil
	(Loss)	(Deficiency)	(Set off)	(Refund)	
		200	50	50	

Section 2.

THE FIRST ACCOUNTING PERIOD.

There is a strong view, in which we concur, that the inequities inherent in this proposal will be seriously aggravated unless the dates of commencement and cessation of the contribution are identical in all cases.

The proposal as announced contemplates that the year 1936 shall not be an accounting period but, if the contribution is to apply to any period of account ended after April 5th, 1937, it follows that in many cases the first accounting period will include a substantial proportion of the results of the year 1936.

The difficulty is that the accident of the accounting date may cause a different burden of duty as between businesses whose circumstances are otherwise similar, and the remedy suggested is that one date, say, January 1st, 1937, shall be the date from which the contribution shall be effective in all cases.

The apportionments involved will not create any great difficulty, and we are satisfied that equity can only be ensured by the fixing of a definite date applicable to all cases, and that the slight additional trouble of apportionment on a time basis in arriving at the standard profits, the standard capital and the profits of the accounting periods will be far outweighed by the nearer attainment of a general measure of equality.

Section 3.

THE PROFITS STANDARD.

The bulk of the representations made to us show serious concern at the suggestion that the profits standard should be based on the average of the years 1933, 1934 and 1935. Speaking generally, the years 1931 to 1935 were years of

depression, and in some industries it is probable that in the whole period since the cessation of the Excess Profits Duty no period of normal earnings can be discovered.

Leaving aside such cases, which should receive special consideration, an average of profits of years selected from the ten years 1927 to 1936 inclusive should in most cases suffice.

If widespread discontent is to be avoided and if the tax is not to be a tax on recovery, the year 1936 must be included in the years from which the profits standard can be selected. Many businesses which have struggled through long periods of depression were only showing the first signs of recovery during the year 1936.

Our recommendation is that the normal profits standard shall, at the option of the taxpayer, be either:

(a) the average of any two of the four years from 1933 to 1936, both inclusive;

(b) the average of any four of the ten years from 1927 to 1936, both inclusive.

This leaves untouched important industries in which the depression was particularly prolonged or severe, and special standards should be granted where it can be proved to the satisfaction of the Tribunal hereafter referred to (sect. 21), that neither of the usual profits standards is a fair measure of normal earnings.

Section 4.

THE CAPITAL STANDARD.

The capital standard will generally apply to new businesses which have not reached a normal level of earnings and to established businesses which suffered prolonged depression.

The Committee urge the extreme importance of encouraging new enterprise, of developing the export trade, and of reviving industrial activities within the Special Areas, while such trades as cotton, coal and shipping have been specially depressed.

Care should be taken to adapt the capital standard to the needs of such businesses and to allow a higher percentage rate appropriate to the special risks of those trades.

It will probably be found convenient to define new businesses as businesses which have been set up or commenced subsequent to a specified date, which we feel should not be later than January 1st, 1933.

Section 5.

STATUTORY CAPITAL.

THE IMPORTANCE OF AVOIDING PRECISE COMPUTATION WHEREVER POSSIBLE.

The evidence before us makes it clear that the widest anxiety is felt at the difficulty which precise computation of capital employed will involve in all excepting the simplest cases.

Our suggestions for avoiding the necessity of calculations of statutory capital in the majority of cases will be found in sect. 7 of this Report.

It is reasonable to suppose that the Excess Profits Duty Acts may be referred to for guidance as to the manner in which statutory capital is to be computed; certainly 6 per cent. was the basic rate for the purposes of that Duty. Without discussing the considerations which led to the adoption of 6 per cent. on the Statutory Capital as the Percentage Standard for Excess Profits Duty, it is submitted that the conception of the National Defence Contribution and the circumstances of the periods to be reviewed for the purposes of the Contribution are so different from the corresponding factors for Excess Profits Duty, that the methods adopted in the past should not be conclusive for the present purposes.

Both the real capital at stake and the earnings in any business are more likely to be dependent on the total value

of the assets employed than on the form in which the capital has been raised. Whether the assets have been acquired out of the proprietor's own capital or, in part, by borrowed money only affects the degree to which the risk is concentrated upon the proprietor.

The percentage standard should therefore be founded on the real capital at stake and borrowed money should not be deducted in computing statutory capital, except temporary loans used for the current purposes of the business. It follows that interest paid will not be a deduction in arriving at statutory profits except so far as it relates to purely temporary borrowings.

Section 6.

CAPITAL PERCENTAGES.

The Committee are aware that the rate of 6 per cent. now proposed for companies was the basic rate for excess profits duty. In the case of businesses not carried on or owned by a company, the basic rate was 7 per cent. up to December 31st, 1916, and thereafter 8 per cent. The allowance for increased capital rose to 11 per cent. and 13 per cent. respectively.

A large volume of evidence exists which demonstrates that a rate in excess of 6 per cent. is necessary in good years of the trade cycle to provide for losses or sub-normal profits in the bad years of the cycle for the proper maintenance and development of the business and for a reasonable return on the invested capital. The Committee recommend that the basic percentage in the case of companies shall not be less than 10.

This basic rate should be increased by not less than 2 per cent. for trades or businesses not carried on or owned by companies.

The basic rates mentioned would be subject to increase by the Tribunal to be set up where it is demonstrated that the circumstances of a class of trade justify such an increase by reference to exceptional risks or otherwise.

Section 7.

ZONES OF CHARGE AND INCREASED CAPITAL.

The proposals as originally announced provide for a varying rate of charge on the growth of profits according to the zones into which the profits of the accounting period fall. The larger the statutory capital can be shown to be, the greater will be the proportion of the profits falling within the lower rates of charge.

The Committee strongly suggest that these zones should be abandoned, and that an allowance should be made for increased capital on the lines of the excess profits duty provisions.

In many cases the relief afforded by the zones of charge in respect of additional capital employed in the accounting period will be inadequate, and we are of the opinion that the method adopted for excess profits duty purposes will be more equitable in its operation and more simple in calculation, since researches into the past history of assets could be avoided to a considerable extent.

The following illustration shows that National Defence Contribution would be exigible where no excess profits duty would be payable.

	£
Statutory Capital in Standard period	200,000
Profit Standard	25,000
Percentage of Profit Standard to capital employed in Standard period ..	12.5
Capital employed in Accounting period	350,000
Profits of Accounting period	34,000
Percentage of Profits of Accounting period to capital employed	9.7

Prima facie there has been no growth of profits, but on the contrary a decline in the rate of earnings. Following the White Paper, however, the growth would be £9,000 as below:

Accounting Period Profits	£	34,000
Deduct Standard Profits		25,000
Growth		£9,000

In view of the rate of 9.7 per cent., the rate of the levy would be 20 per cent., viz., £1,800.

For excess profits duty, adopting the rate of 6 per cent. on additional capital which operated in respect of accounting period ending on or before December 31st, 1916, the calculation would have been :

Profits of Accounting period	£	34,000
Allowance for additional capital		9,000
Adjusted Profits		25,000
Standard Profits		25,000
Growth		Nil

Section 8.

DIMINUTION OF CAPITAL BY TRADING LOSSES, RATIONALISATION, &c.

Relief was afforded for excess profits duty purposes if the capital of a business had been diminished owing to trading losses. To be adequate under present conditions the relief should be extended for the purposes of the National Defence contribution.

The extensive reorganisations which have been made in many industries to eliminate surplus production and to increase efficiency, may otherwise operate harshly. For example, if it has been found that two factories working at a higher capacity can more efficiently achieve the production previously derived from three factories and steps have been taken to eliminate the redundant unit, the disappearance of the asset should not be allowed to operate so as to diminish the statutory capital to the detriment of the tax-payer.

Section 9.

UNREMUNERATIVE CAPITAL.

Allowances for capital that was unremunerative in the standard period were made for excess profits duty, which were reasonably equitable in the circumstances of that time. We hope that similar provisions will operate for the National Defence contribution, but will be expanded to permit an equitable adjustment for assets that have lain dormant in the standard period.

Section 10.

STATUTORY CAPITAL—SPECIAL ASPECTS. RECONSTRUCTIONS.

The large number of amalgamations, reorganisations and reconstructions of companies that have taken place since the War render necessary a wider application of the principle of succession than was adopted for the purposes of the excess profits duty. It is assumed that in cases of changes of ownership, changes in partnership or the conversion of a privately owned business into a limited company, the lines of the excess profits duty practice will be followed. So many cases have occurred, however, where capital has been drastically written down, frequently coupled with the incorporation of a new company, that the underlying principle must be greatly extended for the purposes of the National Defence Contribution.

Provisions should be introduced to make it clear that concerns which have suffered adversity to an extent necessitating writing down of capital should be permitted for purposes of the capital standard to reinstate their assets at original cost (subject to depreciation) even although the assets were originally acquired by a predecessor of the company liable to the Contribution.

DEVELOPMENT EXPENDITURE.

In the process of development of new activities expenditure may be capitalised which, while of a revenue character,

is not strictly an appropriate charge against the gross earnings for the period in which it is incurred. This is continued until the stage of full earning capacity is reached and the products command a ready market. For income tax purposes such expenditure may have been treated as a revenue charge with the result that if income tax methods are to be rigidly followed for the purposes of the National Defence contribution, the profits standard may be depressed and the apparent growth of profits exaggerated.

We feel that provisions should be introduced to permit that in all cases where the circumstances are similar to those outlined above, expenditure of this character shall be capitalised so that the profits standard may approach the desired normality and account be taken of the intangible asset which has in fact been built up.

Section 11.

TREATMENT OF INVESTMENTS.

We have received numerous representations urging that all investments, other than those of a clearly permanent character, should be regarded as assets employed in the trade or business for the purpose of the Contribution, the income therefrom being correspondingly treated as trading receipts, and included in the profits. Whilst we do not feel that the practice in regard to investments for the purposes of excess profits duty was unduly harsh in the circumstances of that time, we are of opinion that any investments, other than clearly permanent investments, should be treated as capital employed in the trade or business.

Section 12.

ALLOWANCES FOR WEAR AND TEAR AND FOR TEMPORARY ASSETS.

It is essential that there should be adequate allowances for wear and tear, depreciation and obsolescence of machinery and plant. This is particularly necessary in the case of assets which are purchased solely or largely for temporary use or for the special purposes of the re-armament programme.

Many of the conditions operating during the War will recur during the carrying out of the re-armament programme and during the continuance of the National Defence Contribution.

Inflated prices have to be paid for both new and second-hand machinery. Day and night working will be common and there will be a shortage of opportunity for repair; much plant will be purchased for specific contracts or temporary use, and there will almost certainly be in existence on a return to normal conditions, much plant that is either redundant or obsolete, or of little use for the ordinary purposes of the business.

Conditions both as regards plant and buildings will be exceptional, and special allowances should be given so that the tax-payer may be properly compensated for the real diminution in value of the assets employed in his business.

Apart from expenditure on plant and building, there will doubtless be considerable expenditure on the acquisition and development of patents, and there will in many cases be a greater diminution in value or exhaustion of wasting assets than occurs in normal times.

Provisions on the lines of sect. 40 (3) Finance (No. 2) Act, 1915, and the Munition (Limitation of Profits) Rules, 1915, should be made, but should be more specific in character and wider in extent.

Section 13.

VALUE OF TRADING STOCKS.

Experience suggests that a general fall in values will probably occur on the cessation of the present period of exceptional prosperity and the consequent cessation of the

duty, and provision should be made for an adjustment in respect of unduly high values of trading stocks held at the end of the last accounting period, on lines not less favourable than those that operated for the purposes of the excess profits duty.

Section 14.

LOSSES IN PERIODS PRIOR TO THE FIRST ACCOUNTING PERIOD.

The provision in the Excess Profits Duty Acts granting relief in respect of the net loss sustained in the pre-War years was limited to cases adopting the percentage standard. The Chancellor's pronouncements indicate that allowance of the net loss for the years from 1933 onwards will be given in computing liability to the National Defence contribution, but since we are proposing optional profits standards for industries which have suffered prolonged depression, cases will arise in which, in spite of the existence of a fair profits standard, a net loss will have been sustained in the periods preceding the first accounting period, and in equity the adoption of the percentage standard should not be a condition precedent to the granting of relief in respect of such losses.

We gather from the assurances given that the losses will include the proper allowances for wear and tear of plant and machinery.

To the industries whose capital is largely represented by plant and machinery, it is of special importance that in ascertaining profits income tax practice in regard to losses and to arrears of depreciation be followed and the allowance should not be limited to the four years suggested.

It is urged that the relief should be extended so as to cover deficiencies below the standard profits, and support for this argument is to be found in trades which are subject to cyclical movements.

If the standard of profits, whether computed on an average of years or by reference to a percentage of capital, represents normal earnings, the levy on the results of the upswing of prosperity will effectively lower the earnings at the peak of the trade cycle, and thus deprive industry of the proper compensation for the troughs of sub-normal earnings which precede and succeed such a peak in the ordinary sequence of the trade cycle.

In equity, if the deficiencies in the pre-accounting period years are set against the surpluses in the accounting periods, this will leave as a proper subject of levy the net excess of the profits in the complete trade cycle, or in that part reviewed for the purposes of contribution, whether standard years or accounting periods.

Section 15.

REPAYMENTS AND SET-OFF.

We assume that the principles of excess profits duty will be followed and that full relief will be granted by way of repayment or set-off in respect of a deficiency arising in any accounting period, so that over the whole period of the contribution only the net growth in that period shall be subjected to the contribution.

The consequent adjustments of the income tax liabilities should operate so that the full liability to the contribution should be set against the growth of profits in respect of which it arises and the set-off or repayment be added to the results of the period giving rise to such set-off or repayment.

Section 16.

BUSINESSES CONTROLLED IN THE UNITED KINGDOM BUT MAINLY CONDUCTED ABROAD.

The high effective rate of taxation in the United Kingdom since the war has been an important factor in determining whether undertakings mainly financed by British

capital should be controlled in this country as an alternative to being controlled in the locality abroad where the main operations are in fact conducted. No conclusive evidence can be available as to the extent to which such considerations have led to enterprises being instituted abroad which otherwise would have been controlled in Great Britain, but many cases are known in which the control has been removed from this country so that the full burden of British taxation should be avoided.

The growth of internationalism in investment policy is a further factor favouring the transfer of control and every addition to the total burden of British taxation must increase the probability of transfer.

The base metal mining industry probably illustrates most of these aspects. With relatively few exceptions the mineral deposits are found outside Great Britain. Technical knowledge is the monopoly of no one nationality, and the capital involved in modern mining enterprise is frequently so large that it is drawn from all the important financial centres of the world.

It is not to be expected that foreign nationals, as shareholders in British companies, will readily accept a diminution of the return from their investments due to additional taxation imposed to meet our national emergency, and the pressure upon London boards of directors from their shareholders may easily be increased to an extent which will force them to transfer control overseas.

The reactions of such transfers spread far beyond the companies themselves, and apart from the permanent loss to the National revenue there may be a serious diversion of orders to machinery manufacturers and contractors outside this country.

While, under the practice of the Board of Referees for excess profits duty purposes, the fact that the operations were mainly conducted overseas was admitted as a factor involving additional risk, and therefore justifying an increase in the statutory percentage, it is submitted that this will not meet the present position. Representations have been made to us in the strongest terms that nothing short of exemption will ensure that the control of important undertakings will not be transferred abroad. The problem is a complicated one, and we feel that it must be closely investigated before any acceptable proposals can be framed.

Section 17.

EXPORT TRADE.

In the national interest every encouragement should be given to export trade. This has special risks which should be recognised by abatement from the National Defence Contribution or in some other way.

Acute difficulties have arisen and are likely to arise from exchange problems, transfer of profits and similar questions. We do not submit any positive proposals, but we feel that special consideration should be given to exporters.

Section 18.

FIRMS AND INDIVIDUALS.

The exemption limit of £2,000 coupled with a diminishing abatement which disappears when the profit reaches £12,000 will afford a welcome relief to the individual trader.

For firms this abatement will not operate equitably and will bear especially heavily on businesses of an agency or personal character with earnings mainly dependent on the efforts and skill of the partners. The following example based on Example C.2 of the White Paper shows the advantage to be gained by the dissolution of existing partnerships.

	A., B. & C. as equal Partnership.	as separate Traders, Each.
Profits	15,000	5,000
Abatement	Nil	1,400
Adjusted Profits ..	15,000	3,600
Standard	4,200	1,400
Chargeable growth ..	£10,800	£2,200
Contribution as a Firm	£3,110	£570
Contribution, three in- dividuals	1,710	
Increase as a Firm	£1,400	82 per cent.

The remedy is the extension of the abatement to each individual partner.

Section 19.

AGENCIES OR BUSINESSES INVOLVING SMALL CAPITAL.

The excess profits duty principle that a trader who has established a business of an agency character or one involving only a comparatively small amount of capital could adopt as his standard his earnings in any trade, business, office, employment or profession which he carried on prior to the commencement of the existing business, should be reintroduced for the purposes of the National Defence Contribution.

A substituted standard with an addition for each working proprietor in any trade or business should be permitted on the lines set out in sect. 45, Finance Act, 1920, but we feel that the limits there stated should be relaxed to a considerable extent for present purposes.

Section 20.

HOLDING AND SUBSIDIARY COMPANIES.

We understand that separate representations are being made covering the special problems of the large holding companies. For this reason we have not dealt with this particular aspect of the National Defence Contribution in this Report.

SUBSIDIARY COMPANIES.

We appreciate the statement in Parliament that as between parent company and subsidiary company the principle of aggregation will be adopted. This should in our opinion be extended as far as possible so that where in fact the subsidiary is worked as a department or branch of the parent company there may be an aggregation of profits or losses.

Section 21.

SUGGESTED TRIBUNAL.

Under the Excess Profits Duty Acts the Board of Referees were given wide discretionary powers which included *inter alia* :

(a) The adjudication of all claims for an increase in the Statutory percentage to be applied to any class of trade or business.

(b) The determination of claims by any class of trade or business that the percentage standard should be calculated by reference to some factor other than the capital employed or by reference to some additional factor in cases where the amount of capital actually employed is small by comparison with the amount of capital actually at stake.

As the National Defence Contribution is not identical with excess profits duty and particularly because the circumstances in which the present levy is to be applied differ widely from those of the earlier impost, a tribunal should be set up with wider powers than those of the board of referees under the Excess Profits Duty Acts. These powers should comprise :

(a) All the powers exercised by the Board of Referees under the Excess Profits Duty Acts.

(b) The fixing of an optional period for the profits standard where it can be shown that none of the standards provided in the Act itself permits the calculation of a standard reflecting normal earnings.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to and promotion in the Membership of the Society have been completed since our last issue :—

ASSOCIATE TO FELLOW.

ENGINEER, KAIKHUSHROO SORABJI, B.Com. (Sorab. S. Engineer & Co.), 45, Apollo Street, Fort, Bombay, Practising Accountant.

ASSOCIATES.

DAY, WILLIAM HENRY, with Cooper Bros. & Co., 14, George Street, Mansion House, London, E.C.4.

DORMAN, RONALD ALFRED, with Baldwin & Pontefract, 40, King's Chambers, Angel Street, Sheffield.

FITZPATRICK, JOHN IGNATIUS, with R. J. Kidney & Co., 12/14, College Green, Dublin.

GREET, ERIC BENJAMIN, with G. O. Boundy, De Montfort Chambers, Taunton.

GOWLAND, GEORGE, with J. W. Armstrong & Sons, 2, Collingwood Street, Newcastle-upon-Tyne.

PEARSE, CYRIL, with Leslie A. Tomlinson, Eldon Chambers, Wheeler Gate, Nottingham.

ROBSON, EDGAR WILLIAM, with Boyce, Welch & Co., 3, Piccadilly, Bradford.

SHEPHARD, JOHN GEORGE HERBERT, with Harcastle, Burton & Co., Coventry House, South Place, London, E.C.2.

TANDON, PYARA LAL, with S. B. Billimoria & Co., 32, Bharat Buildings, Lahore, India.

INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE.

The Design of Accounts.

In the April issue of the *Incorporated Accountants' Journal* criticisms and suggestions were invited on the general form of trading and profit and loss accounts and balance sheets. A number of interesting suggestions have been received from Incorporated Accountants and it is hoped to publish a full memorandum on the subject in due course.

Meanwhile, further criticisms are sought as regards the manner in which the *Accounts of Executors and Trustees* may be most conveniently submitted to beneficiaries. Since circumstances vary so widely, it is not possible to suggest any standard method : four possible systems are, therefore, outlined below, with particular reference to the commencement of a trust. Comments, which will be specially welcome, should be addressed to the Secretary of the Research Committee at Incorporated Accountants' Hall.

At a later stage it is hoped to issue a further memorandum dealing with other points on the accounts of executors and also to publish a series of standard forms which have been submitted to the Research Committee in relation to a large number of representative industries and trades.

The Accounts of Executors and Trustees for Presentation to the Beneficiaries.

NOTES.

1. It is usually desirable that the accounts should be preceded by a note in the following form :—

Estate of.....

Who died on.....19.... at.....

Form III. The Schedule of Investments Method.

SCHEDULE OF INVESTMENTS AND INCOME

from.....to.....19....

Particulars of Investments. 1		Nominal Value. 2	Probate Valuation. 3 *	Purchases (including costs). 4	Sales.			Investments in hand as at.../19 8	Net Income for period. 9
					Net Proceeds. 5	Surplus. 6	Deficit. 7		
		£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
	... 0/0								

* In the second and subsequent accounts, this column (No. 3) will be designated "Investments in hand at.....19...." (the date of the commencement of the account) "at Probate Valuation or Cost."

ESTATE ACCOUNT.

Liabilities as at date of death.	£	Assets as at date of death.	£
i. Mortgages, viz.		i. Investments (Column 3 above)	
ii. Debts		ii. Life Insurance Policies	
iii. Funeral Expenses		iii. Cash, etc.	
Balance. Net Value of Estate for Probate c/d			
Decreases in Estate.	£	Balance b/d.	£
(a) Deficit on Assets realised at less than Probate Valuation (Column 7 above) ..		Increases in Estate.	
(b) Estate Duty		Surplus on Assets realised at more than Probate Valuation (Column 6 above) ..	
(c) Executorship (Trusteeship) Expenses ..			
(d) Legacies, viz.			
Duty thereon			
Balance. Estate at date c/d			

INCOME ACCOUNT

from.....to.....19..

Expenses (analysed when necessary)	£	Dividends (Column 9 above)	£
		Rents (net)	
		Bank Interest, &c.	

BALANCE SHEET

as at.....

Liabilities, viz.	£	Assets.	£
Estate Account		Properties, viz.	
		Investments (Column 8 above)	
		Bank Balances, &c.	

Form IV. Detailed Accounts Method.

Under this method, the beneficiaries are supplied with summaries of the following :—

Cash Account.
Estate Account.
Income Account.
Beneficiaries Accounts.
Balance Sheet.
Schedule of Investments.

District Societies of Incorporated Accountants.

DEVON AND CORNWALL. ANNUAL MEETING.

The third annual general meeting was held at Plymouth on April 30th, Mr. W. W. Beer presiding.

The minutes of the annual general meeting held on May 15th, 1936, were read and confirmed.

The reports of the Honorary Secretary and the Treasurer were adopted.

The retiring members of the Committee, Mr. W. S. Burgess, Mr. J. H. Chown, and Mr. G. E. L. Whitmarsh were re-elected.

Mr. K. E. C. Budge was elected to fill the vacancy caused by the retirement of Mr. W. W. Beer.

The retiring auditor, Mr. W. R. Frost, was re-elected on the proposition of Mr. Beer, seconded by Mr. Lyddon.

A discussion took place regarding lectures, when Mr. A. E. Amery explained the difficulties met with by the students in arranging their second meeting, the cancellation of which had been referred to by the Secretary in presenting his report.

A vote of thanks was accorded to Mr. Beer for his valuable work on behalf of the District Society and his hospitality to the meeting. Mr. Beer suitably responded.

At a meeting of the Committee held after the annual meeting, the following officers were elected for 1937-38:—President, Mr. H. S. Bull; Vice-President, Mr. R. W. G. Taper; Treasurer, Mr. S. H. Roberts; Secretary, Mr. P. D. Pascho.

LIVERPOOL. Annual Report.

The Committee has pleasure in submitting to the members the report and accounts for the year ended March 31st, 1937.

MEMBERSHIP.

The figures of the membership of the Society for the past three years are as follows:—

	1935	1936	1937
Fellows	69	68	61
Associates	211	226	248
Students	239	252	247
	519	546	556

OBITUARY.

We record with great regret the death of Mr. George A. Peace, a Fellow of the Society. Mr. Peace had been a member of the Society since 1909 and was held in high regard in the profession.

LIVERPOOL INCORPORATED ACCOUNTANTS' HALL.

On October 8th, the Liverpool Incorporated Accountants' Hall was formally opened by the Lord Mayor of Liverpool (Councillor R. J. Hall), who was supported by the Mayors of Bootle, Birkenhead and Wallasey, representatives of the Chamber of Commerce, the Incorporated Law Society, the Liverpool Society of Chartered Accountants, the Liverpool Branch of the Chartered Institute of Secretaries and the Liverpool Chartered Accountants' Students' Association, together with the following members of the Council of the Parent Society:—Mr. C. Hewetson Nelson, J.P. (Senior Past-President), Sir Thomas Keens, D.L., Mr. Henry Morgan, Mr. A. H. Walkey,

Mr. Percy Toothill, Mr. F. Woolley, Mr. F. A. Prior and Mr. Joseph Turner. To commemorate the occasion, the District Society issued an illustrated booklet containing an account of the Society since its formation and notes on the history of the site of the new Hall.

MEMBERS' LUNCHEON.

The President of the Parent Society (Mr. R. Wilson Bartlett, J.P.) visited Liverpool on February 11th, when a Members' Luncheon was held at the Constitutional Club.

MEETINGS.

The following meetings have been held during the year:

"The English Legal System," by Mr. S. R. Dodds, M.A., LL.B. At Southport.

"Investigations," by Mr. A. F. Stansfield, A.C.A. At Chester.

"The Accountancy Provisions of the Companies Act," by Mr. E. Westby Nunn, B.A., LL.B.

"The Legal Status of Married Women in relation to Property," by Mr. Bertram B. Benas, B.A., LL.B., Barrister-at-Law.

"Investment Trusts," by Colonel W. Parker, F.C.I.S. (Joint Meeting with Liverpool Branch of the Chartered Institute of Secretaries.)

"The Change in Investment Fashion," by Mr. Hartley Withers.

"Municipal Cost Accounts," by Mr. J. Boucher, F.S.A.A., Borough Treasurer, Wallasey. At Chester.

"Stock Exchange Practice and Procedure," by Mr. W. J. Back, A.S.A.A.

"The Accounts of Holding Companies," by Mr. C. A. Sales, LL.B., F.S.A.A.

"Costing Records and the Financial Books," by Mr. W. W. Bigg, F.C.A., F.S.A.A.

"Income Tax," by Mr. A. L. Montgomery, Inspector of Taxes. At Chester.

"The Installation of a Costing System." Joint Discussion with the Institute of Costs and Works Accountants. Opened by Mr. M. K. Arnott, F.C.W.A.

"Public Speaking," A Discussion for Students.

"Auditing Technique," by Mr. R. R. Coomber, A.C.A., A.S.A.A.

"Business Statistics," by Mr. H. W. Robinson, B.Sc.

"Company Reconstructions and Amalgamations," by Mr. Ernest E. Edwards, B.A., LL.B., Barrister-at-Law. At Chester.

Discussion on Professional Topics.

The opening of the new Hall has resulted in improved attendances at these meetings and it has been found that the premises are admirably suited to the needs of our members.

In view of the tutorial facilities now offered by coaching institutes, the question arises how far District Societies should undertake responsibility for Lecture Courses. The Committee feels, however, that it is very desirable that members of the Society should meet together at reasonably frequent intervals, in order to maintain that spirit of professional brotherhood which has always been a feature of the Society. Care is always taken to include subjects which are of wide practical interest both to qualified members and students.

MEMBERS' DINNERS.

Two informal Members' Dinners have been held in connection with the addresses by Mr. Hartley Withers on "The Change in Investment Fashion," and by Mr. H. W. Robinson, B.Sc., on "Business Statistics." An informal

Dinner was also held at Southport on October 14th. A number of guests were entertained on each occasion.

DISCUSSION ON PROFESSIONAL TOPICS.

The session closed with a meeting held for informal discussion on Professional Topics, the subjects being taken from the following:—

- (1) Memorisation for Examinations.
- (2) The Duty of an Auditor as regards Secret Reserves.
- (3) Maintenance Claims under Schedule "A."
- (4) The Position of the Landlord in Insolvency Cases.
- (5) The Future of Small Firms in the Accountancy Profession.
- (6) When can Mechanical Accounts be introduced with advantage?
- (7) The Provision of Finance for Small Businesses.
- (8) The Prevention of Fraud.

CONSULTATIVE COMMITTEE.

In 1933 a Consultative Committee was set up by the District Society to advise members on all points of professional practice. The Committee includes the following Panels:—

- i. Fees and General Purposes.
- ii. Income Tax and Sur-Tax.
- iii. Bankruptcy, Liquidations, Receiverships and Trusteeships.
- iv. Company Law and Accounts.
- v. Rating and Local Taxation.
- vi. Executorship and Trusteeship.

The experience of the past three years has indicated the need for this advisory service for members.

STUDENTS' SECTION.

In preparation for the examinations of the Parent Society, a full series of revision classes has been held.

The cordial thanks of the Committee are extended to the lecturers who have devoted so much time to this important work.

EXAMINATION RESULTS.

The Committee extends its congratulations to the Students who were successful at the examinations of the Parent Society. Twenty-eight passed the Final and twenty the Intermediate.

The Liverpool Examination Prizes were awarded to Mr. C. R. Currie, who took Eighth Place Certificate in the Intermediate examination in May, and to Mr. C. Sephton, who took Third Place in the Final examination in November.

LIBRARY.

An increased grant for book purchases has enabled the Library facilities to be well maintained. The Library and the Hall are available for study, and books are sent by post if desired. A register of Appointments Vacant is kept at the Library.

PARENT SOCIETY.

The Committee records its special thanks to the President, Council and Officers of the Parent Society for much encouragement and assistance, particularly in connection with the opening of the Liverpool Incorporated Accountants' Hall.

Mr. C. Hewetson Nelson, J.P., Liverpool, has been elected President of the Incorporated Accountants' Benevolent Fund, in succession to the late Sir James Martin.

In March, Mr. Alexander Hannah, a Past President of the Liverpool Society, was appointed to a vacancy on

the Council of the Parent Society. Mr. Hannah was for seventeen years Hon. Secretary of the Liverpool District Society and his appointment to the Council has given great pleasure to our members. Mr. W. Bertram Nelson, the Hon. Secretary of the Liverpool District Society, has also been appointed a Member of the Council of the Parent Society.

LIVERPOOL CHAMBER OF COMMERCE.

The Society continues to be represented on the Council of the Liverpool Chamber of Commerce by the President and Hon. Secretary.

COMMITTEE.

The retiring members of the Committee are Mr. E. Chetter, Mr. E. S. Goulding, Mr. Alexander Hannah, Mr. W. E. Taffs and Mr. S. Woodyer, who are eligible for re-election.

HON. AUDITOR.

The retiring Auditor is Mr. R. Duncan French, C.C., who is eligible for re-appointment.

NEWCASTLE-UPON-TYNE

Annual Report

The Committee have pleasure in presenting their report for the year ended March 31st, 1937, and desire to place on record a very cordial expression of thanks to the gentlemen who have lectured during the past session.

MEMBERSHIP.

The membership at March 31st, 1937, was 49 Fellows 167 Associates, and 209 Students, a total of 416 as compared with 417 at March 31st, 1936.

OBITUARY.

The Society suffered a great loss through the death of the President, Mr. M. H. Groves. The Committee wish to place on record their appreciation of the valuable services rendered by Mr. Groves to the District Society.

OFFICERS.

In consequence of the death of Mr. M. H. Groves and the resignation of Mr. F. W. Smith from the Vice-Presidency, Mr. C. Percy Barrowcliff was elected President, and Mr. T. W. Scollick and Mr. A. J. Ingram Vice-Presidents.

ANNUAL DINNER.

The annual dinner, at which Lord Londonderry was the principal guest, was an outstanding success.

LECTURES.

The following lectures and meetings were held:—

AT NEWCASTLE-UPON-TYNE:

"Auditing Case Law," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law.

"Matters Connected with Public Issues of Capital," by Mr. W. J. Back, A.S.A.A.

Qualified Members' Meeting.

Students' Open Night.

"Partnership Law and Accounts," by Mr. J. Wilkinson, A.S.A.A.

"The American Experiment," by Mr. W. H. Coates, Ph.D., LL.B.

"The Art of Public Speaking," by Mr. A. Duxbury.

"Municipal Accounts," by Mr. E. Van Ham, A.S.A.A., A.I.M.T.A.

"Review of Present-day Economic Problems including a Review of Present Conditions in this Country," by Mr. A. E. Pugh, F.S.A.A.

Qualified Members' Meeting.

"Executorship Accounts," by Mr. G. Lambert, A.S.A.A. Qualified Members' Meeting.

AT MIDDLESBROUGH :

- "Auditing Case Law," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law.
- "Matters Connected with Public Issues of Capital," by Mr. W. J. Back, A.S.A.A.
- "A Few Points on Executorship Law," by Mr. R. M. Beckwith, Solicitor.
- "A Municipal Internal Audit," by Mr. R. Sutcliffe, F.S.A.A. (Borough Treasurer, Middlesbrough).
- "The Art of Public Speaking," by Mr. A. Duxbury, London.
- "Process Costs," by Mr. W. H. Stalker, A.S.A.A., of Newcastle.
- "Review of Present-Day Economic Problems, including Conditions in this Country," by Mr. A. E. Pugh, F.S.A.A. (President, South Wales and Monmouthshire District Society).
- "Main Points arising under Schedule D," by Mr. W. P. Sawyer, Inspector of Taxes.
- General Meeting of Members.

AT SUNDERLAND :

- "Preparation of Accounts from Incomplete Records," by Mr. W. J. Back, A.S.A.A.
- Students' Meeting to discuss "Procedure in Deeds of Arrangement and Voluntary Liquidation."
- "Review of Present-Day Economic Problems including a Review of Present Conditions in this Country," by Mr. A. E. Pugh, F.S.A.A.

Although a comprehensive series of interesting and instructive lectures was arranged, there are still a number of members and students who do not take advantage of these facilities.

A meeting was arranged in collaboration with the other local professional societies at which Dr. W. H. Coates gave a lecture on "The American Experiment." The meetings for qualified members continue to fulfil a useful purpose.

An informal dinner for members and students was very much enjoyed.

EXAMINATION RESULTS.

The Committee desire to congratulate Mr. C. U. Mack, who obtained Fifth Place in the May Intermediate examination. This achievement was acknowledged by a District Society Prize.

Twelve students were successful in the Final examination, and twenty-six in the Intermediate.

LIBRARY.

Good use is made of the Library. A Sub-Committee has been appointed to bring it up-to-date.

COMMITTEE.

The following retire by rotation, but are eligible for re-election : Mr. A. M. White, Mr. A. C. Churchill, Mr. T. R. G. Rowland, and Mr. F. S. Rowland. Mr. R. H. Edwards and Mr. H. W. Green have been nominated for election to the Committee.

DISTRICT SOCIETIES.

The President and Hon. Secretary have attended official functions of various Northern District Societies during the year. The Society was represented at the Conference of District Societies held at Incorporated Accountants' Hall, London, in May, 1936.

NORTH STAFFORDSHIRE.

Annual Report.

The Committee has pleasure in submitting its annual report and accounts for the year ended March 31st last.

MEMBERSHIP.

The membership of the District Society on March 31st,

1937, was 117 (including 14 Fellows, 54 Associates and 49 Students).

REVIEW OF THE SESSION'S WORK.

During the session, the following lectures, &c., were held :—

- "The Etiquette of the Profession," by Sir Thomas Keens, D.L. (Past-President of the Society of Incorporated Accountants and Auditors).
- "Machine Accounting," by Mr. C. M. Towers, Burroughs Adding Machine Company.
- "Statistics," by Mr. W. J. Back, A.S.A.A.
- "Methods of Study," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.
- "Executorship and Administrators," by Mr. Ernest Corbishley, Solicitor.
- "Schedule E—Income Tax," by Mr. L. W. Caulcott, Inspector of Taxes.
- "Fraud in Accounts," by Mr. I. Davies, A.S.A.A.
- "Debentures and Powers and Duties of Receivers," by Mr. Percy Walker, F.S.A.A.

At the last annual meeting Mr. J. Paterson Brodie was elected Vice-President of the Society after having acted as Hon. Secretary of this Branch since its re-establishment in 1924, and a presentation of a silver tea service was made by Sir Thomas Keens from the members of the Branch.

The lectures have been fairly well attended and the Committee wishes to thank the lecturers for the services they have rendered to the students.

There have been two dinners during the year, the first on April 1st, 1936, when the principal guest was Sir James Blindell, M.P., Junior Lord of the Treasury. The Parent Society was represented by Mr. Walter Holman, F.S.A.A., Vice-President, and Sir Thomas Keens, D.L., F.S.A.A. The second dinner took place on March 5th, 1937, when the chief guest was Sir Walter Womersley, M.P., Assistant Postmaster-General. Both these functions were distinct successes.

The Committee wishes to congratulate the students who were successful in the examinations of the Society, especially Mr. W. A. Follows, who obtained the First Certificate of Merit and the First Prize in the Final examination held in November, 1936, and was awarded the Gold Medal of the Society.

Four students passed the Intermediate examination and six the Final.

The President and Secretary attended the Conference of District Societies held in May last year, and also some of the annual functions of the District Societies.

The Committee deeply regrets the death of Mr. John Gownes, a promising young man who was articled to Mr. M. P. Ferneyhough.

The following members of the Committee are due to retire at the Annual Meeting, and are eligible for re-election under Rule 5 (b) :—Mr. R. M. Chapman, Mr. W. C. Coxon, Mr. T. W. Porter, and Mr. G. Taylor.

NOTTINGHAM, DERBY AND LINCOLN.

Annual Report.

The Committee has pleasure in submitting its twenty-eighth annual report for the year ended March 31st, 1937.

MEMBERSHIP.

The figures of membership for the past two years are as follows :—

	1936.	1937.
Fellows and Associates in Practice ..	51 ..	51
Fellows and Associates not in practice ..	89 ..	96
Students	97 ..	86
	237 ..	233

MEETINGS.

The following meetings were held :—

Opening evening.

"Sale of Goods," by Mr. W. A. Boot, M.C., Solicitor (at Lincoln).

Students' debate on "Appointment of Auditors of Public Limited Companies be made by Board of Trade." Proposed by Mr. A. Brown, opposed by Mr. N. A. Medlock.

Additional meeting between practitioners and students for questions and discussion.

"Matters connected with Public Issues of Capital," by Mr. W. J. Back, F.S.A.A.

"Income Tax—Schedule D," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Defalcation and Falsification of Accounts," by Mr. F. A. Roberts, F.S.A.A.

"Auditing Case Law," by Mr. E. Westby Nunn, B.A., LL.B.

"The Valuation of Goodwill," by Mr. I. Davies, A.S.A.A.

"Economics—Theories of Rent and Interest," by Mr. Arthur Radford, B.Sc.

Mock Shareholders' Meeting.

The Committee is pleased to record the high standard maintained by the lecturers, but regrets that there are still a number of students who do not take advantage of the opportunities afforded them to augment their studies. The Committee is open to receive from members and students suggestions for future lectures.

The Secretary regularly receives notifications of vacancies and appointments, both home and overseas, which are available to members of the profession. Members, therefore, who desire a change of employment should communicate with the Secretary.

LUNCHEONS.

A luncheon was held at Nottingham on April 2nd, 1936. The guests of honour were Mr. Walter Holman, F.S.A.A., Vice-President of the Society of Incorporated Accountants, and Mr. F. A. Prior, F.S.A.A., on the occasion of his appointment to the Council of the Society.

On December 18th, 1936 another luncheon was held at Nottingham. Mr. Powell Heath, director of Barclays Bank Limited, gave a lecture on "Banking Practice," which was much appreciated by the members present.

LIBRARY.

The circulation of the library continues to show an increase and the Committee desires to record its thanks to donors of books. Further additions have been made during the year. The Committee will be pleased to receive suggestions for improving the facilities offered by the Library.

COMMITTEE.

The retiring members of the Committee, Mr. H. R. Horne, Mr. E. H. Palmer, Mr. C. F. Carlisle, and Mr. T. E. Clarke, being eligible, offer themselves for re-election.

AUDITOR.

The retiring auditor, Mr. Walter Clayton, A.S.A.A., offers himself for re-election.

EXAMINATIONS.

The Committee tenders its congratulations to the students who were successful in the examinations of the Parent Society held in May and November, 1936, especially to the four who obtained honours. These students have been awarded prizes voted them by the Committee.

CONFERENCE.

The immediate Past-President, Mr. Harold R. Horne, F.S.A.A., and the Secretary, Mr. Stanley I. Wallis, F.S.A.A., attended the annual meeting and Conference of Representatives of Branches and District Societies in London, in May, 1936.

HEADMASTERS' EMPLOYMENT COMMITTEE

The Annual Report for 1936 of the Headmasters' Employment Committee has recently been issued. This is a Committee of the Incorporated Association of Headmasters working in co-operation with the Ministry of Labour. Its functions are to collect and disseminate information on careers and advise and find posts for boys recommended to it by the headmasters of co-operating schools. The Committee serves the school area covered by London and the ten counties of Kent, Surrey, Sussex, Hants., Essex, Hertfordshire, Bedfordshire, Cambridgeshire, Norfolk and Suffolk. In addition to regular co-operation with some 250 Public Secondary Schools in this area (including 49 schools represented on the Headmasters' Conference) it accepts from any recognised public secondary school in the country applications on behalf of boys who desire employment in the London area. Since its establishment in 1918 the Committee has found posts for more than 17,000 boys and in 1936 it placed 1,655.

The Report comments on the increased activity in business conditions which marked the year 1936 in London and which was reflected in the continuous and satisfactory demand for the Committee's candidates and in slight increases in the average commencing salary rates for all the Committee's age groups. So active was the demand that in June, just before the end of the school-leaving term, the register of candidates had fallen to a record low level of 61, and during the first half of the year it was always difficult and sometimes impossible to meet employers' demands. By the end of August, however, the position was easier and up to the end of the year the supply of candidates was adequate to the demand, a position which was to be expected from the sharp increase in the birth-rate which marked the year 1920.

The Committee's placings cover most branches of the professions, business and industry normally open to the candidate of secondary school education. The feature of 1936 was a substantial increase in the proportion of boys placed in the Banking, Stockbroking, Finance and Insurance groups.

During the year, 11,457 interviews were accorded to boys and parents for the purpose of advice in the choice of career or arranging interviews with prospective employers. Revised editions were published of the pamphlet on "Engineering" and the summary pamphlet on "Careers for Secondary School Boys." These are Stationery Office publications.

Correspondence.

To the Editors, *Incorporated Accountants' Journal*.

Shakespeare and Accounts.

SIRS,—The correspondence which has appeared in recent issues of your *Journal* prompts me to send the following references which may be of interest to your readers.

Placed in the mouth of Hamlet are expressions such as: "And how his audit stands who knows save heaven?" and "Will his vouchers vouch him no more of his purchases . . . ? ", whilst in *Love's Labour Lost* (Act II, sc. 1), the subject of a valuation is referred to by the King as "not valued to the money's worth." In *Antony and Cleopatra* (Act V, sc. 2) there is the utterance of Cleopatra, who says :—

"This is the brief of money, plate and jewels
I am possessed of; 'tis exactly valued."

There are several occasions upon which the word "bankrupt" is used by Shakespeare, although not always in the sense of one who is insolvent; but in the Epilogue to the *Second Part of King Henry IV* it is clear that unfulfilled promises to pay, on the part of debtors, are not confined to any specific age, for we read:—"I will pay you some, and, as most debtors do, promise you indefinitely."

Cost accountants will no doubt appreciate the implication in *Much Ado About Nothing* (Act I, sc. 1), when Don Pedro remarks that "the fashion of the world is to avoid cost, and you encounter it," whilst Puck, in *A Midsummer Night's Dream*, in saying, "I'll be an auditor; an actor too, perhaps, if I see cause," is not casting any reflection upon either profession, nor yet making odious comparisons.

If any of your readers have a turn for aptness of epitaph, or desire to record a tribute to the best that is embodied in the profession, he may find something to his taste in:—

"I have done the State some service, and they know it;"

or "I am nothing, if not critical";

or "My friends were poor but honest";

or "A proper man, as one shall see in a Summer's day";

or "A good old man, sir."

or "He was a scholar, and a ripe and good one;

Exceeding wise, fair spoken and persuading;

Lofty and sour, to them that lov'd him not;

But to those men that sought him, sweet as Summer."

Yours faithfully,

PETER GRIFFITHS.

Birmingham, May, 1937.

Scottish Notes.

[FROM OUR CORRESPONDENT.]

Examinations in Scotland.

The half-yearly examinations for Scottish candidates were held in the first week of May in the Glasgow and West of Scotland Commercial College, Glasgow. The examinations were under the supervision of Mr. James Paterson, Secretary of the Scottish Branch, member of Council, assisted by Mr. J. Hawthorne Paterson, F.S.A.A.

Local Authorities Accounts.

The Secretary of State for Scotland, it is understood, has informed local authorities that, in view of a number of cases of irregularities in the accounts of local authorities he has asked auditors to review existing financial methods and systems of working, and, in all cases where it appears to them desirable, to consider with the local authority concerned such further measures as may be practicable to ensure the prevention of all avoidable leakages.

Mr. J. T. Morrison, Coatbridge.

After a service of over 30 years we understand that Mr. James T. Morrison, Incorporated Accountant, Town Chamberlain of Coatbridge, has intimated his wish to resign that office. The reason given is, we regret to learn, that of ill-health. Mr. Morrison is a member of the Council of the Scottish Branch, and has always taken a deep interest in the work of the Society in Scotland. He is a recognised authority on municipal matters, and his retirement is regretted.

Local Government Auditors (Scotland).

In Scotland auditors of local authorities are appointed by the Scottish Office, or, in the case of Glasgow, by the

Corporation, with the approval of the Secretary of State for Scotland. Recently an association was formed under the title of "Local Government Auditors (Scotland) Association," for the purpose of enabling auditors of burghs, cities and county councils to have an opportunity of discussing questions germane to the audits of such bodies. Separate sections deal with burgh and county audits, and with the Corporation of Glasgow.

A Municipal Auditing Question.

The Town Council of Wick had recently under discussion the delay in the completion of the abstract of their accounts for the year ending May 15th, 1936. The delay is partly due to a difference of opinion between the auditor and the Council regarding the allocation of certain items in the electricity accounts. The dispute arises out of the method adopted in writing off hired wiring capital balance lost through the condemnation of houses. The auditor proposed to write off the sum in question by setting it against the year's revenue. The Council proposed to write off by annual instalments. The Scottish Office indicated approval of the auditor's proposal.

The late Archibald Macintyre, F.S.A.A.

We regret to have to report the death of Mr. Archibald Macintyre, Incorporated Accountant, Hamilton. Mr. Macintyre, who was a member of the Scottish Council, carried on for many years an extensive accountancy practice in Lanarkshire. Owing to indifferent health, he retired about five years ago. He was 71 years of age, and left a wife and family.

Notes on Legal Cases.

COMPANY LAW.

In re Cuthbert Cooper & Sons, Limited.

Restriction on Transfer of Shares.

The Articles of Association of a private company provided that the directors might in their absolute discretion refuse to register any transfer of shares, including fully paid shares, without assigning any reason therefor, and this power was extended to the case of transfers by personal representatives to persons becoming entitled on the death of any member. The sole directors and shareholders in the company were a father and his two elder sons. The father died in 1930, having by his will appointed his three younger sons, who were employed by the company but were not members of it, executors, and bequeathed all his shares, which amounted to half the capital of the company, equally between those three sons. The will was duly proved and probate registered with the company, but the two elder sons, as sole surviving directors, refused to register any transfer of shares by the executors to themselves as shareholders or to give any reason therefor, and at a later date refused to supply the executors with the audited balance sheet of the company and dismissed them from their employment with the company. The executors presented a petition for winding up the company.

It was held (1) that the company being a private company, the principles to guide the Court in determining whether or not a winding-up order should be made were those which applied to determining whether or not a partnership should be wound up; (2) that there were no grounds on which it would be just and equitable to wind up the company.

(Ch.; (1937) 53 T.L.R., 548.)

In re T. N. Farrer Limited.

Appointment for Life of Governing Director.

A private company was formed in 1918 to carry on a business and practically the whole of the share capital

was allotted to the vendor, who, by the Articles, was appointed, at a salary of £300 a year, governing director for his life or until he should resign or be removed by special resolution. The company having in 1934 passed a resolution for voluntary liquidation, the employment of the governing director was determined. His assignees presented a proof in the liquidation claiming a sum as compensation for his loss of office, being damages for alleged breach of contract contained in the Articles.

It was held that, there being no contract except that contained in the Articles, the employment of the director was impliedly conditional on the continued existence of the company, and there was therefore no breach of contract. But on the assumption that there had been such a breach, it was one for which no damages were recoverable. (Ch.; (1937) 53 L.T.R., 581.)

REVENUE.

Trinidad Petroleum Development Company v. Inland Revenue Commissioners.

Profits or Gains Brought into Charge.

It was held by the Court of Appeal, affirming the decision of Lawrence (J.) (see *Incorporated Accountants' Journal*, October 1936, p. 36), that a taxpayer, who has deducted tax when paying a sum representing interest on money, is assessable to tax on that interest under Rule 21 of the All Schedules Rules of the Income Tax Act, 1918, notwithstanding that he is entitled under sect. 33 of the Finance Act, 1926, to set off against his profits earned in the year of assessment losses, exceeding those profits, incurred by him in previous years.

(C.A.; (1937) 1 K.B., 408.)

Down v. Compston.

Bets on Results of Games.

The respondent, a professional golfer, won money as the result of bets entered into with other persons with whom he played private games of golf. An assessment to income tax was made on him in respect of those winnings.

It was held (1) that the winnings did not arise from his employment or vocation as a professional golfer; (2) that they were in no way analogous to gratuities for services rendered; (3) that there was no organised effort by the respondent in the acquisition of money through the exploitation of his skill and reputation as a professional golfer; and (4) that he was not, therefore, assessable in respect of those winnings.

(Ch.; (1937) 53 T.L.R., 545.)

Allen & Murray v. Trehearne.

Service Agreement.

The service agreement of a managing director of a company provided that the company, in addition to salary and commission, should make a terminal payment of £10,000 on the final determination of his service with the company for any cause whatsoever other than wilful default in the performance of his duties, and that he should accept that sum in lieu of expectation of pension. The managing director died while in the service of the company during the continuance of the agreement, and the company duly paid the sum of £10,000 to his executors.

It was held that the executors were properly assessed to income tax under Schedule E in respect of the £10,000. (K.B.; (1937) 53 T.L.R. 565.)

Elmhirst v. Commissioners of Inland Revenue.

Assessment of Husband in Respect of Wife's Income.

In 1925 the appellant married in America an American woman who had not previously been resident or ordinarily resident in the United Kingdom, but, as was found, she became so in the years 1925-26, 1926-27, 1927-28. An assessment was made on the appellant to income tax in respect of each of those years, and in arriving at the three

years' average on which the tax was then chargeable the prenuptial income of his wife was included.

It was held that the assessments were correctly made. (K.B.; (1937) 53 T.L.R., 566.)

Attorney-General v. Dickinson & Baron.

Property Passing on Death.

By a settlement made in 1924 a fund was settled on trust to accumulate the income of the fund at compound interest during the period of 21 years if the settlor should so long live, and after the expiration of the said period or the death of the settlor (whichever should first happen) on trust for the settlor's married daughter for life with remainders over. The settlor died within the 21 years.

It was held that the accumulations of the settled fund were aggregable for the purposes of estate duty with the rest of the settlor's estate.

(K.B.; (1937) 53 T.L.R., 568.)

Brown v. Adamson.

Widower Employing Housekeeper.

The deduction from income tax allowed under sect. 22 of the Finance Act, 1924, to a widower or widow who employs a person in the capacity of housekeeper cannot be claimed unless the person so employed resides in the house of the person claiming the deduction.

(K.B.; (1937) 53 T.L.R., 646.)

Duckworth v. Lowe.

Assessment where not Resident in United Kingdom.

By sect. 102 (3) of the Income Tax Act, 1918: "If in any case a person who is, or who resides, in any parish has not been assessed therein, the Commissioners acting for the parish may assess him, as though he had been resident there at the time of the publication of the general notices directed by this Act, unless he proves to their satisfaction that he has been duly assessed in some other parish." The appellant, on whom an assessment was made in respect of his wife's income by virtue of Rule 16 of the All Schedules Rules, did not reside in, but visited, the United Kingdom for a short period during each of the years of assessment.

It was held that the provisions of sect. 102 (3) applied, and that the appellant was rightly assessed to tax.

(K.B.; (1937) 53 T.L.R., 647.)

Inland Revenue Commissioners v. Lawrence, Graham and Company.

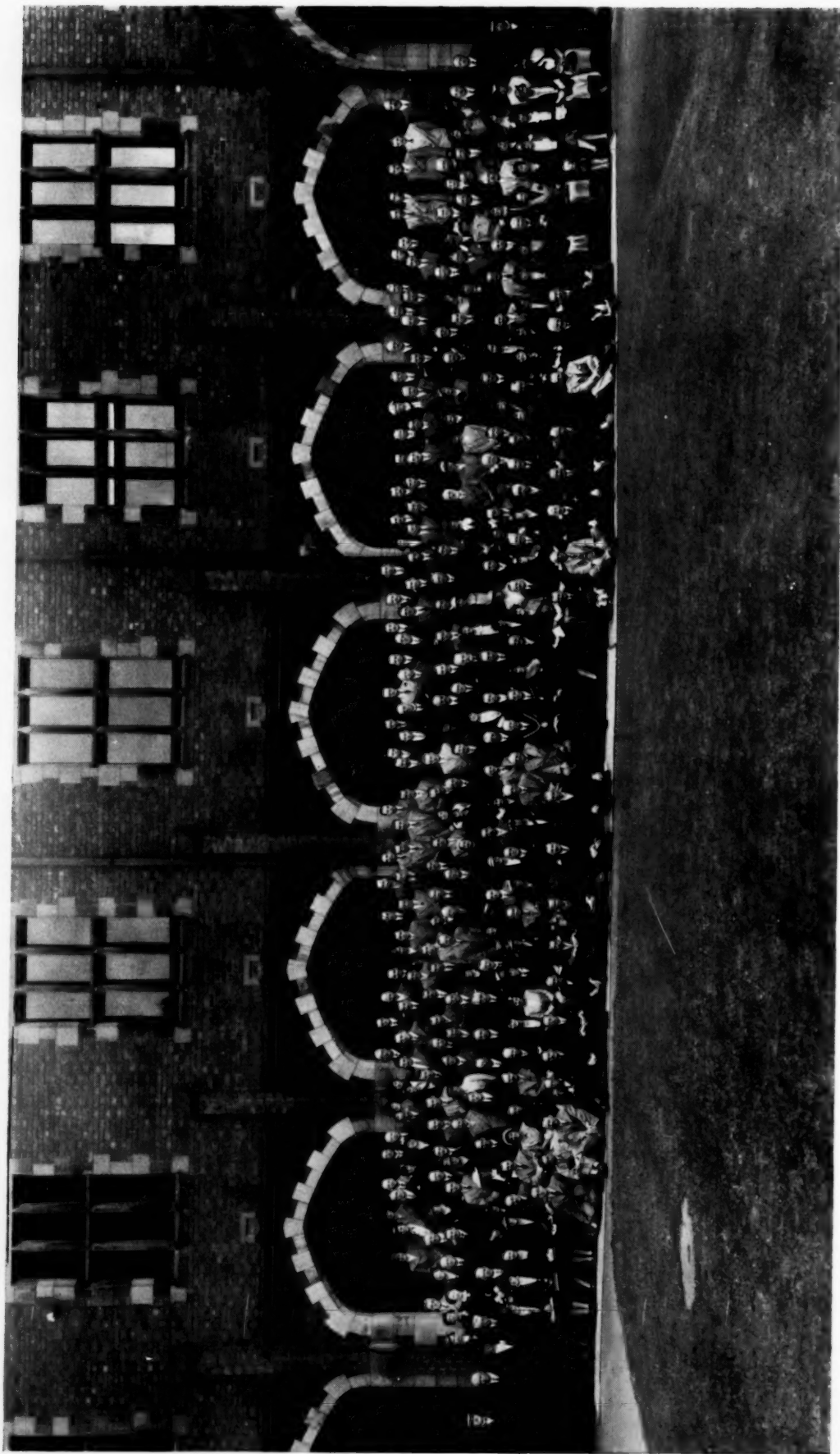
Reversionary Interest.

By a mortgage and two further charges a mortgagee lent £25,000 on the security of a reversionary interest. It was provided that until the reversion fell into possession interest in arrears for more than 30 days should be added to the principal moneys. Sums were so added amounting with interest thereon to £2,378 and sums so added were always net interest less income tax thereon. The mortgagee having sold the reversion under his power of sale left the original amount of £25,000 on mortgage, but the balance of over £6,000 was paid to the mortgagee's solicitors. The solicitors paid thereout the sum of £2,378 to the mortgagee and paid the net balance to a second mortgagee. The Crown claimed to recover income tax from the solicitors in respect of the sum of £2,378 paid to the mortgagee as being a payment of interest out of a fund not already subject to tax.

It was held (1) that it was impossible to treat the interest as having been paid half-yearly by the mortgagor out of money advanced to him for that purpose by the mortgagee; but (2) that, as at each half-year the net interest only was added to the principal moneys and accepted by the mortgagee in full satisfaction of the interest, where the solicitors paid to the mortgagee out of the purchase money the sums so added to the principal moneys they were paying a sum which had already suffered tax and were under no liability to make any further deduction.

(C.A.; (1937) 53 T.L.R., 481.)

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